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UNFPA – Evaluation

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Annual report on the evaluation function, 2017

Report of the Director, Evaluation Office

Summary

The present report provides information on the performance of the evaluation function at corporate and decentralized levels, as well as the contribution of UNFPA to the United Nations coherence in evaluation, including system-wide evaluations, and national evaluation capacity development. In addition, the report presents the 2018 programme of work and budget for the Evaluation Office.

Elements of a decision

The Executive Board may wish to: (a) take note of the present report on the evaluation function of UNFPA, 2017, and of the programme of work and budget of the Evaluation Office in 2018; (b) welcome the efforts made by UNFPA and the significant progress achieved in strengthening the evaluation function, in actively contributing to United Nations system-wide evaluation efforts, and in fostering efforts for national evaluation capacity development; (c) reaffirm the role played by the evaluation function at UNFPA and underscore the importance of high-quality, independent evaluation evidence in the context of the new UNFPA Strategic Plan, 2018-2021, and its contribution to the implementation of the 2030 Agenda for Sustainable Development; (d) request UNFPA to present a revised evaluation policy to the Executive Board at its first regular session 2019.

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"We need a culture of independent and real-time evaluation with full transparency."

– António Guterres, Secretary-General of the United Nations

I. Introduction

Working together to support implementation of the 2030 Agenda for Sustainable Development

1. In the common chapter of their respective strategic plans for 2018-2021, UNDP, UNFPA, UNICEF and UN-Women committed to working better together, characterized by stronger coherence and collaboration. The four entities welcomed the United Nations Secretary-General's report on repositioning the United Nations development system to deliver on the 2030 Agenda for Sustainable Development, and committed to step up joint efforts, with a sense of urgency, to better support countries to achieve sustainable development, including by working together more effectively at all levels, and by enhancing multi-stakeholder partnerships.

2. The evaluation function at UNFPA, being fully aligned to the UNFPA Strategic Plan, 2018-2021, is also fully committed to the above-mentioned principles, by enhancing coherence in the evaluation function in the United Nations system in the following four areas:

3. *Joint evaluations*. In the quadrennial budgeted evaluation plan, 2018-2021, UNFPA committed to manage three corporate evaluations jointly with UNICEF. In addition, the UNFPA Evaluation Office is fully committed to evaluating the common chapter of the strategic plans for 2018-2021 jointly with the evaluation offices of UNDP, UNICEF and UN-Women, and is already working on this with the other evaluation offices.

4. *System-wide evaluation*. Recognizing the strategic importance of evaluating the United Nations system response to humanitarian crises, UNFPA is committed, as indicated in the quadrennial evaluation plan, to co-lead two system-wide evaluations within the framework of the Inter-Agency Humanitarian Evaluation Group (IAHE). In addition, UNFPA also contributed, in 2016-2017, to the two pilot system-wide evaluative exercises led by the Joint Inspection Unit (JIU).

5. *Enhancing coherence of evaluation functions* among different entities in the United Nations system, through actively supporting the United Nations Evaluation Group (UNEG) and IAHE.

6. *Joining forces with other United Nations entities in multi-stakeholders partnerships for strengthening national capacities to evaluate localized Sustainable Development Goals (SDGs),* with a special focus on 'no one left behind'. UNFPA continues to be an active member of EvalPartners, the global multi-stakeholders partnership for national evaluation capacities, co-led by UNEG and the International Organization for Cooperation in Evaluation (IOCE), as well as Evalgender+, co-led by UN-Women. In addition, UNFPA initiated in 2017 a partnership with EvalYouth, an EvalPartners' global movement to strengthen capacities of young evaluators.

II. UNFPA evaluation function

A. Aligning the evaluation function to the UNFPA Strategic Plan, 2018-2021

7. The UNFPA evaluation function serves three main purposes: (a) demonstrate accountability to stakeholders on performance achieved; (b) support evidence-based decision-

making; and (c) contribute important lessons learned to the knowledge base of the organization. As foreseen by the policy,[1] UNFPA undertook a review of the UNFPA evaluation function during 2017-2018, focusing on reviewing the evaluation function against UNEG norms and standards. Key highlights of the review, including findings and recommendations, are presented in this report.

8. With the aim of re-aligning the evaluation function to the UNFPA strategic plan, 2018-2021, the Evaluation Office produced a number of strategic documents in 2017. The quadrennial budgeted evaluation plan, 2018-2021, adopted by the Executive Board at its first regular session 2018, guides the commissioning, management and use of evaluations, providing the basis for monitoring and reporting on the implementation of corporate and decentralized programme-level evaluations.

9. In 2017, the Evaluation Office developed the evaluation strategy, 2018-2021,[2] to support UNFPA in strengthening its performance and accountability as well as its contribution to the achievements of the SDGs. Framed by the UNFPA strategic plan and the broader set of directions adopted by the United Nations system, the evaluation strategy provides a clear direction for the UNFPA evaluation function, setting priorities to strengthen evaluation operations.

10. The evaluation strategy is complemented by an action plan for evaluation capacity development during 2018-2021, which presents systemic and practical initiatives for implementation in the next four years to strengthen the evaluation function at UNFPA.

B. Key highlights of the external independent strategic review of UNFPA evaluation function

11. The purpose of the review of the evaluation function was to (a) assess if the evaluation policy should be revised or not – and, if so, identify areas of the policy that should be revised; and (b) provide an independent assessment of the evaluation function in UNFPA against the UNEG norms and standards of independence, credibility and utility.

12. To ensure independence of the review process and content, a steering committee to oversee the review – including selection of an independent external consultant to carry out the review, as well as approval of the review report – was set up. The steering committee was chaired by the UNEG co-chair of the task force on review of evaluation functions, and composed of a representative from the evaluation office of the Danish Ministry of Foreign Affairs and the UNFPA Office of the Executive Director. To ensure a geographical and institutional diversity of perspectives, an external technical advisory panel was also established. Chaired by the former UNEG vice chair and Director of the UNICEF Evaluation Office, the advisory panel included the Deputy Executive Director, National Council for Evaluation of Public Policies, Coneval, Mexico; the Director General, Independent Evaluation Group; the Vice-President, The World Bank; the Governing Board Secretary, Asia Pacific Evaluation Association; and the President, African Evaluation Association.

13. The review found a consensus in UNFPA leadership at central and decentralized levels:[3] (a) an independent evaluation function is critical to the sound functioning of the organization and key to the successful realization of the UNFPA mission; and (b) evaluation is indispensable for sound management and policy decision-making, for independent accountability reporting and for generation of evidence-informed knowledge. These findings reflect, within UNFPA, a broad-based understanding of, and agreement on, the role and value not only of evaluation, but

1 The UNFPA evaluation policy (DP/FPA/2013/5) stipulates: "UNFPA will review the evaluation policy at regular intervals and revise it as needed. As part of the revision process, UNFPA may request, in 2016, a peer review of its evaluation system."
2 The evaluation strategy 2018-2021 is available on the Evaluation Office website.
3 The full report of the independent external review of UNFPA evaluation function is available in the Evaluation Office website.

as well of the necessary independence of the evaluation function. This consensus constitutes a strong foundation for evaluation in UNFPA – and, as such, should be consolidated, cared for and built on. This is a shared responsibility across the organization, at governance and management levels, and in countries, regions and headquarters.

14. The review found that the UNFPA evaluation policy is fundamentally sound. However, it considers the current UNFPA evaluation policy requires updating for it to be consistent with developments and changes both within UNFPA and in the broader United Nations and global contexts; the evaluation policy is amenable to adjustments that would better reflect the priorities of UNFPA strategic plan, 2018-2021. Finally, a revised evaluation policy should allow for, and support, change and innovation in UNFPA evaluation practices.

15. The review did not find evidence of or suggestions to the effect that there are threats to organizational independence. In terms of behavioural independence, the review considers the independence of external evaluators to be appropriately safeguarded. Quality assurance mechanisms for the decentralized evaluation function contribute to safeguarding independence for regional and country programme evaluations managed by decentralized business units. With respect to the governance and organization of the UNFPA evaluation function, the review is of the opinion that the structure and processes in place for accountability to the Executive Board as well as for the relationships between the Evaluation Office and UNFPA management are functioning well. However, the review considers that improvements could be made: to the quality of Evaluation Office reporting to the Board as well as its relationships with UNFPA management and with regional and country monitoring and evaluation staff.

16. The review considers that, largely, corporate and decentralized evaluation processes are transparent and inclusive – the two dimensions highlighted in UNEG norms and standards as being key to the credibility of evaluation. The review also found that UNFPA guidance recognizes that other important norms contribute to the credibility of evaluations, such as the ethical conduct of evaluation teams, which are impartial and demonstrate appropriate professional and cultural competencies. While the review did not seek to assess the consistency of evaluation practice in UNFPA with these norms, in its extensive round of interviews and meetings, it did not come across indications to the contrary. Finally, the review found that the UNFPA quality assurance system for evaluations contributes to the credibility of both corporate and decentralized evaluations.

17. In terms of performance, the review found that – within the parameters set by the evaluation policy and the UNFPA financial and administrative framework – the evaluation function has progressed relative to the objectives it has set for itself, and done so with reasonable regard to economy, efficiency and effectiveness. The review also found that the evaluation function generally reports on its work in a manner consistent with UNEG norms and standards. In the context of an independent and distinct evaluation function, developed from the ground up some five years ago, the performance of the current systems can be considered a reasonable and commendable achievement.

18. The review considered the UNFPA evaluation function to be managed with due regard for utility. However, the review highlighted the importance for UNFPA of adapting continuously its evaluation processes to best support the attainment of the UNFPA mission in rapidly changing and challenging contexts. In particular, there should be a focus on strengthening communication effectiveness, including the effectiveness of written reports relative to their intended readerships.

19. Based on the above-mentioned conclusions, the review recommended the following:

(a) The evaluation policy should be updated for consistency with developments and changes both within UNFPA and in the broader United Nations and global contexts;

(b) Presentations of results and recommendations from evaluations to the Executive Board should be mindful of its governance function and its requirements. This means, among other considerations, not delving into technical and methodological information beyond what is necessary to provide the Board with information relevant to its strategic, policy and programming interests;

(c) The Evaluation Office should guide the evaluation function in UNFPA towards a better balance between accountability, decision support and learning purposes. UNFPA adapts continuously its evaluation approaches and processes to best inform and support the attainment of the UNFPA mission in rapidly changing and challenging contexts

(d) The Evaluation Office should better integrate relevant developments in the theory and practice of evaluation. The conception of evaluation quality should be based on a more comprehensive and value-based understanding of quality;

(e) The Evaluation Office, in its role as custodian of the evaluation function in UNFPA, together with relevant stakeholders, should progressively address the nature and organization of the decentralized evaluation function;

(f) The Evaluation Office should systematically address the review's observations to further improve the methodology, findings and analysis, conclusions and the communication of evaluation reports;

(g) The Evaluation Office should progressively update its evaluation quality assurance and assessment system

20. In the management response,[4] UNFPA welcomed the external independent strategic review of the UNFPA evaluation function. Management acknowledged that this review was a key learning exercise, and would contribute to ensuring that UNFPA is able to effectively demonstrate its contribution to development results within its mandate. The consultative process of the review made it a valuable learning opportunity in itself, which led to the real-time assimilation of its findings and conclusions, including allowing real-time implementation of some recommendations. UNFPA accepted all recommendations and is committed to their timely implementation.

C. Performance of the evaluation function

21. With the aim of strengthening transparency and clarity in the reporting of the performance of the evaluation function, the Evaluation Office this year developed a set of key performance indicators. Applied retroactively, the system allows reporting on the performance of the evaluation function over the last strategic plan (2014-2017) and beyond, as shown below.

Table 1
Trends in key performance indicators, 2013-2017

		2013	2014	2015	2016	2017	Overall assessment
Key performance indicator	***Description***						
1. Financial resources invested in evaluation function*	*Budget for evaluation as a percentage of total UNFPA programme budget*	-	*0.45*	*0.69*	*0.91*	*0.83*	Overall positive trend, but far from reaching target of 3%

4 The full management response to the independent external review of UNFPA evaluation function is available in the Evaluation Office website.

2. Human resources for monitoring and evaluation	*Percentage of country offices staffed with a monitoring and evaluation focal point or officer*	*100*	*100*	*95.9*	*99.2*	*96.7*	Overall stable trend, closed to totality of COs with M&E staff
3. Evaluation Coverage**	*Percentage of country offices that have conducted a country programme evaluation once every two cycles*	-	-	-	-	*80.0*	Improvement needed
4. Evaluation implementation rate***	*Percentage of planned evaluations being implemented*	-	-	-	*60.0*	*55.0*	Improvement needed
5. Quality of evaluations	*Percentage of evaluations rated "good" and above*	-	*50.0*	*77.0*	*92.0*	*95.0*	Positive trend
6. Evaluation reports posted on evaluation database	*Percentage of completed evaluation reports posted on evaluation database*	*100*	*100*	*100*	*100*	*100*	Achieved
7. Management response submission	*Percentage of completed evaluation reports submitted with management response*	*100*	*100*	*100*	*100*	*100*	Achieved
8. Implementation of management response	*Percentage of management response actions completed*	*61.0*	*76.5*	*78.0*	*78.5*	*84.4*	Positive trend

Source: Evaluation database. Abbreviations: COs: country offices; M&E: monitoring and evaluation

*See paragraph 24 for important methodological explanation.

** Captures an eight-year period (2011-2018) of completed, ongoing and planned evaluations. Going forward, the key performance indicator table will report on subsequent 8-year periods (i.e. 2012-2019 in the 2018 annual report). The first year for which this data is reported is 2017.

*** Prior to 2016, the Evaluation Office was not collecting data on implementation at the level of granularity reflected in the present report.

22. Since the revision of the evaluation policy in 2013, important progress has been made on the majority of key performance indicators. Considerable progress has been made in the *quality of evaluation reports* – with 95 per cent (21 evaluations out of 22) assessed as "good" or "very good" in 2017, as compared to 50 per cent (six evaluations out of 12) in 2014 – and in the *financial resources for evaluation* – which almost doubled, from 0.45 per cent in 2014 to 0.83 per cent in 2017. The submission of management responses reached 100 per cent, while the annual implementation of evaluation recommendations has reached 84 per cent (up from 61 per cent in 2013).

23. The slight decline in human resources for monitoring and evaluation – down from 99.2 per cent in 2016 to 96.7 percent in 2017 – is due to staff movements in three country offices, with the posts expected to be filled in 2018. Although progress has been made in most indicators, there is need for further improvement in financial resource investments in the evaluation function and in the coverage and implementation of decentralized programme-level evaluations.

Key performance indicator 1: financial resources

24. While the methodology used to calculate investment in the evaluation function was consistent through 2016, an updated approach to ensure full alignment with the evaluation policy –stating, "up to 3 per cent of the total programme budget will be allocated for the evaluation function" – was adopted in 2017. The new approach uses "UNFPA programme budget expenditures" instead of "UNFPA total expenditure" to estimate the proportion of financial resources invested in evaluation.

25. Overall, the amount budgeted in 2017 for the evaluation function was $6.30 million, with $3.36 million budgeted at the corporate level (the Evaluation Office) and $2.94 million budgeted at the decentralized level (see table 2). This represents 0.83 per cent of the total UNFPA programme expenditure for 2017. The budget invested in evaluation constantly increased at corporate and decentralized levels year-on-year from 2014 to 2018 – with the exception of 2017. From 2014 to 2018, the budget spent in evaluation doubled, from $3.69 million to $7.61 million.

Table 2
Budget invested in the evaluation function, 2014-2018 (millions of $)

	2014	2015	2016	2017	2018*
Total UNFPA programme budget expenditure**	**820.2**	**798.6**	**763.5**	**752.9**	-
Total budget of the evaluation function	**3.69**	**5.52**	**6.94**	**6.30**	**7.61**
Evaluation Office	2.38	2.63	3.71	3.36	4.38
Decentralized evaluation function	1.31***	2.89	3.23	2.94	3.23
Total budget of the evaluation function as percentage of UNFPA programme budget expenditures	*0.45%*	*0.69%*	*0.91%*	*0.83%*	-

Source: "Total UNFPA programme budget expenditure", generated from the UNFPA Statistical and Financial Reviews for 2014-2017. The Evaluation Office budget is derived from the UNFPA financial system (Cognos), while the budget for the decentralized function includes the budget for decentralized programme-level evaluations (self-reported) and decentralized staffing costs (generated through a survey conducted by the Evaluation Office in 2016).

* Data on total 2018 UNFPA programme budget expenditure will be available in 2019.

** See methodological note in paragraph 24.

*** Decentralized staffing costs are not available for 2014; the figure ($1.31 million) therefore reflects only the budget for evaluations.

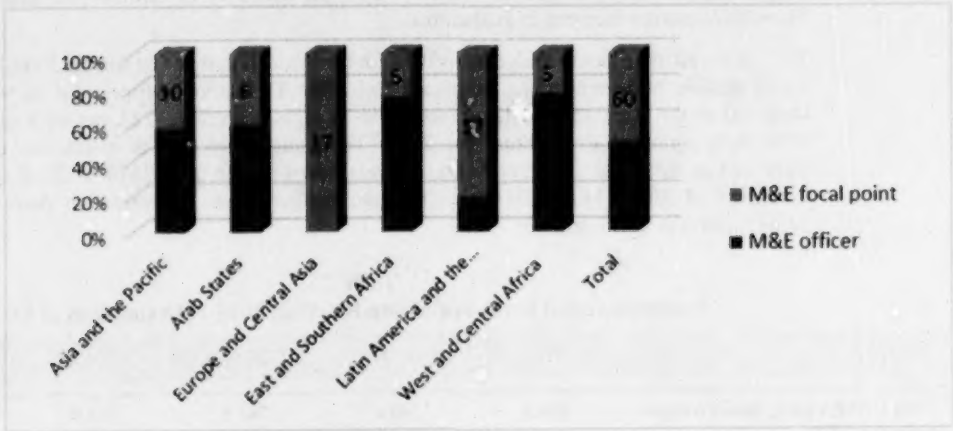
Key performance indicator 2: human resources

26. As of December 2017, the Evaluation Office had eight approved posts: one at general service level, six at professional level and one at director level. The Office in 2017 recruited an evaluation analyst and a communications and knowledge management specialist, who joined in February 2018; the former will provide support to corporate evaluations while the latter will focus on strengthening its capabilities in communication and knowledge management systems. In addition to the posts, the Evaluation Office benefited from a secondment (Sweden) and a junior professional officer (Switzerland) focused on evaluation capacity development.

27. At the decentralized regional level, the staffing profile remained the same as in previous years: UNFPA has six regional monitoring and evaluation advisors; all posts were filled. Some 96.7 per cent of country offices were staffed with either a monitoring and evaluation officer (47 per cent of country offices) or a monitoring and evaluation focal point (49.5 per cent of

country offices). The distribution shows that offices with a larger programme of work tend to have a dedicated monitoring and evaluation officer while monitoring and evaluation focal points are largely concentrated in country offices with a relatively smaller portfolio.

Figure 1
Human resources for monitoring and evaluation, 2017, by region



Source: Evaluation Office

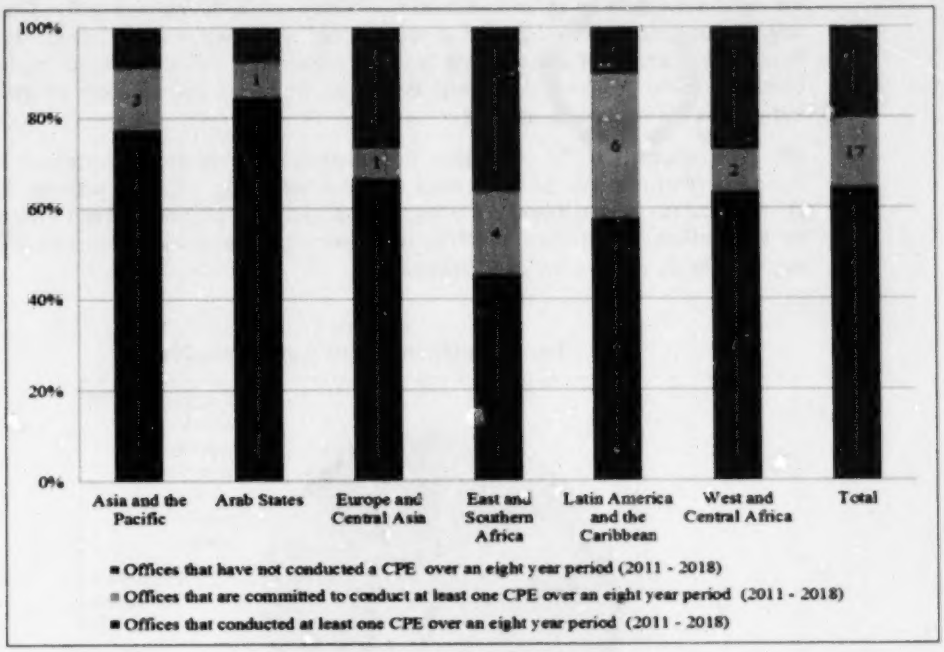
Abbreviation: M&E: monitoring and evaluation

Key performance indicator 3: coverage of decentralized evaluations

28. The evaluation policy states that country offices should manage a country programme evaluation at least once every two cycles. Previously, compliance to this commitment was not monitored. To address this gap, the Evaluation Office developed the new indicator "percentage of country offices that have conducted at least one country programme evaluation over the last eight-year period".

29. Currently, 90 country offices (80 per cent) have completed, or are scheduled to complete, at least one country programme evaluation over the last eight years, while 23 offices (20 per cent) have not conducted any evaluation during 2011-2018. The Arab States (92 per cent coverage) and Asia and Pacific (91 per cent coverage) are the regions with the highest level of coverage. Security concerns, humanitarian situations and limited capacity to manage evaluations in smaller country offices with fewer staff and lower levels of funding have eroded full coverage. Conversely, buy-in and commitment of country representatives and the presence of a trained monitoring and evaluation officer in the country office are principal factors for an increase in demand for evaluations.

Figure 2
Evaluation coverage by region, 2011-2018 (*)



Source: UNFPA evaluation database and UNFPA regional monitoring and evaluation advisors

(*) *Note*: programme cycles at UNFPA vary in duration, and these can be extended. Methodologically, the Evaluation Office assumed four years as the average length of a country programme. However, it is not unusual for cycles to be extended. Hence, a country that has not conducted a country programme evaluation over a period of eight years can abide by the evaluation policy in the event that the programme cycle is of a longer duration than four years.

Key performance indicator 4: implementation rate of planned evaluations

30. In previous years, the annual report captured the implementation rate of decentralized programme-level evaluations separately from that of corporate evaluations. To align with the evaluation indicator in the UNFPA strategic plan, 2018-2021 – which tracks the percentage of corporate and decentralized evaluations completed as planned – the Evaluation Office will now report on the total implementation rate, that is, the aggregate of decentralized programme-level evaluations and corporate evaluations.

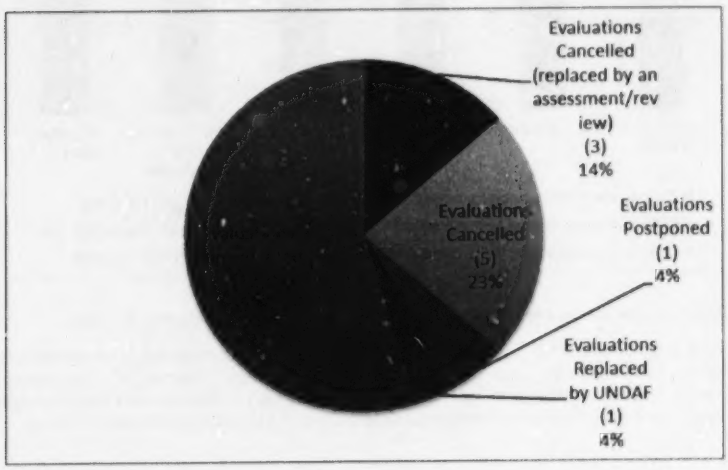
31. Overall, the implementation of planned evaluations should be strengthened. In 2017, 55 per cent (12 of 22 evaluations) were implemented, a slight decrease, compared to 2016 (where 25 of 42 evaluations, or 60 per cent, were implemented). All but one of the cancellations occurred at the decentralized programme level, with a significant proportion at regional levels.

32. However, a number of cancellations or postponements have valid programmatic reasons. For example, one country programme evaluation (4 per cent) was replaced with an evaluation on the United Nations Development Assistance Framework (UNDAF) (Rwanda), while another was postponed to accommodate an extension in the country programme (Mexico). Additionally, one country programme evaluation, originally planned for 2019, was conducted earlier at the request of the Government (Malawi) and another (Philippines), originally planned for 2016, was postponed to 2017.

33. Of the 36 per cent (or eight of 22 evaluations) cancelled without a valid programmatic reason, the primary causes was financial and human resources constraints. However, three of the eight were replaced by an assessment or survey, while the remaining five were not. The majority of cancellations occurred at the regional level. While cancellations are, at times, beyond the control of country and regional offices, greater attention to implementation continues to be required. Additional details on cancelled decentralized programme-level evaluations are available in annex 2.

34. To enhance UNFPA capabilities in implementing scheduled decentralized evaluations in an effective manner, the Evaluation Office is exploring, together with the Programme Division and the Human Resources Division, strategies to secure financial and human resources for field offices. The Evaluation Office will report in its next annual report (in 2019) on the outcomes of the above-mentioned strategies.

Figure 3
Implementation rate of evaluations, 2017

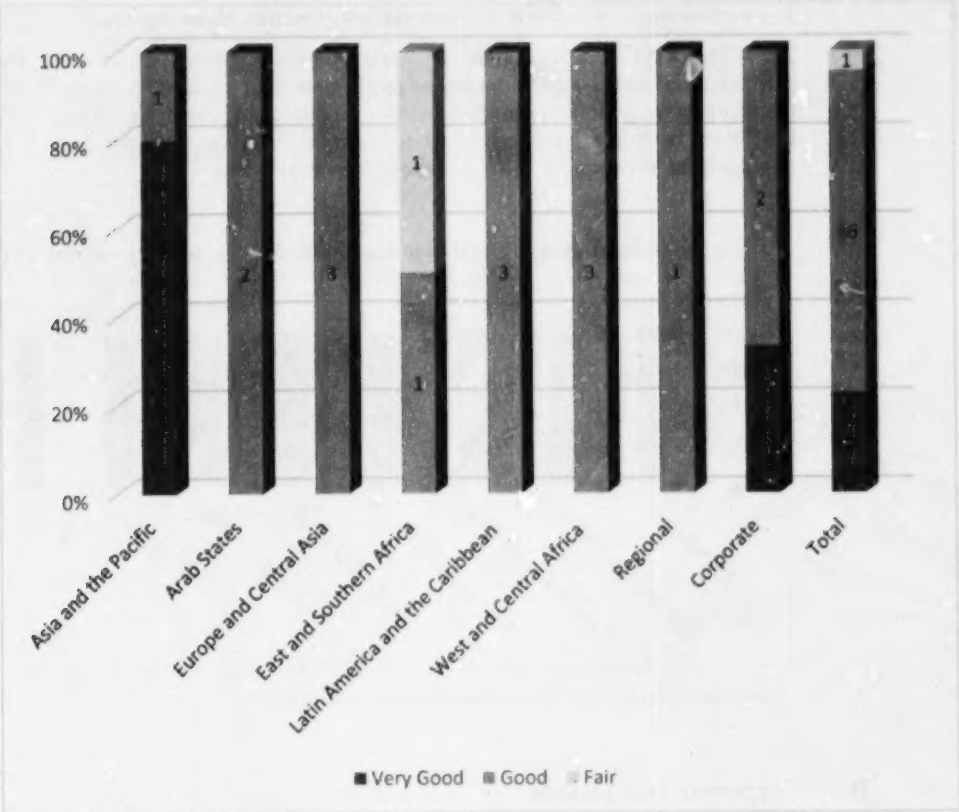

Evaluations Cancelled (replaced by an assessment/review) (3) 14%
Evaluations Postponed (1) 4%
Evaluations Cancelled (5) 23%
Evaluations Replaced by UNDAF (1) 4%

Source: Evaluation Office

Key performance indicator 5: quality of evaluation reports

35. The average quality of evaluations has risen year-on-year, with the proportion of reports assessed as 'good' and 'very good' increasing, from 50 per cent in 2014 to 95 per cent in 2017. Continuing the trend from the previous year, there were no reports rated as 'unsatisfactory', suggesting that the quality assurance mechanisms put in place are sustaining a performance floor in successfully strengthening the quality of evaluations.

Figure 4
Quality of evaluations, by region, 2017



Source: Quality assessment conducted by an external consulting firm (managed by UNFPA Evaluation Office)

Key performance indicator 6: submission rate of completed evaluation reports posted on the UNFPA evaluation database

36. In 2017, all completed evaluations, at both decentralized and corporate levels, were posted on the evaluation database; these are publicly available. Corporate evaluations, besides being presented to the Executive Board, are posted on the Evaluation Office website; their release is the subject of a communication message sent to all UNFPA staff and the wider evaluation community (including UNEG members).

Key performance indicator 7: evaluations with management responses

37. In December 2016, the Programme Division launched a new management response tracking system: TeamCentral. It enables automated notifications, helps generate periodic status reports, and brings about greater clarity in roles and responsibilities, improving the quality and timeliness of responses to recommendations and, ultimately, the use of evaluations. In mid-2017, the Programme Division issued guidance on the development, reporting and tracking of management responses.

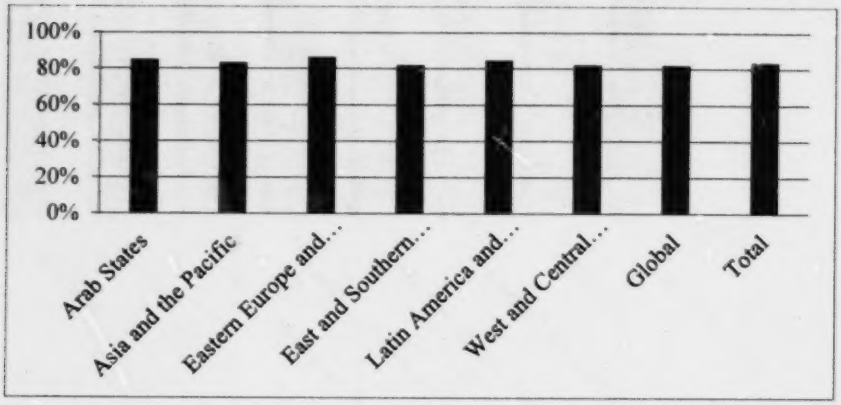
38. All 22 evaluations (corporate, regional and country programme) completed and quality-assessed in 2017 had a management response, as required by UNFPA evaluation policy.

Key performance indicator 8: implementation of management responses

39. The UNFPA Programme Division monitors evaluation use and follow-up of recommendations for both corporate and programme-level evaluations. In 2017, the percentage of 'accepted programme evaluation recommendations for which the actions due in the year have been completed' has continued to improve, reaching 84.5 per cent, a 5.5 per-cent improvement, compared to 2016, and the highest in six years.

Figure 5

Implementation of evaluation management response/key actions, 2016



Source: TeamCentral – UNFPA management response tracking system

D. Corporate evaluations

40. In 2017, the Evaluation Office continued its ongoing efforts to ensure quality and timely delivery of corporate evaluations, following the quadrennial budgeted evaluation plan, 2016-2019 (DP/FPA/2015/12). The Office presented to the Executive Board the findings of the corporate evaluations of: (a) the architecture supporting the operationalization of the UNFPA strategic plan (2014-2017); and (b) the UNFPA innovation initiative.

41. By December 2017, the implementation rate for corporate evaluations during 2017-2018 (either on track or completed) was 93 per cent: 13 of 14 evaluations were completed or on track to be completed as planned, while one was cancelled.

42. In 2017, corporate evaluations experienced long procurement processes. To reduce the duration of procurement processes, and enhance cost-effectiveness, the Evaluation Office started to establish long-term agreements covering corporate thematic evaluations approved in the quadrennial budgeted evaluation pian, 2018-2021.

Table 3
Implementation status of planned corporate evaluations and other evaluative studies, 2017-2018

Title	Status	Management response	Presentation to Executive Board/ steering committee
1. End-line evaluation of H4+ Joint Programme Canada and Sweden (Sida), 2011-2016	Completed	Yes	Informal joint meeting of UNFPA/UNICEF executive boards during first regular session 2018
2. Evaluation of the architecture supporting the operationalization of the UNFPA strategic plan (2014-2017)	Completed	Yes	Informal meeting during second regular session 2017
3. Formative evaluation of the UNFPA Innovation Initiative	Completed	Yes	First regular session 2018
4. Meta synthesis of lessons learned from UNFPA country programme evaluations, 2014-2015	Completed	Not applicable	Presented in framework of 2016 annual report of the evaluation function at annual session 2017
5. Evaluability assessment of UNFPA-UNICEF global programme to accelerate action to end child marriage	Completed	Yes	Presented at the steering committee of the UNFPA/UNICEF joint programme on child marriage
6. Evaluation of UNFPA support to comprehensive sexuality education programmes	Cancelled, as this item will be addressed in a forthcoming evaluation on gender equality and women's empowerment	Not applicable	Not applicable
7. Meta-analysis of the engagement of UNFPA in highly vulnerable contexts	Completed	Not applicable	To be presented within the framework of the 2017 annual report of the evaluation function at the annual session 2018
8. Midterm evaluation of the UNFPA supplies programme	On track		
9. Evaluation of the UNFPA response to the Syria crisis	On track		
10. Evaluation of UNFPA support to the prevention, response to and elimination of gender-based violence and harmful practices, including in humanitarian settings	On track		
11. Evaluation of results-based management approaches	On track		
12. Joint evaluation of the UNFPA-UNICEF Joint Programme on the Abandonment of Female Genital Mutilation: Accelerating Change (Phase I + II)	On track		
13. Evaluation of the UNFPA capacity to respond to humanitarian crisis	On track		
14. System-wide inter-agency humanitarian evaluation of United Nations system response in Yemen	On track		

E. Use of corporate evaluations to foster change

43. In order to report not only on the *normative quality* of the evaluation function – its compliance to UNEG norms and standards and to key performance indicators – but also on its *functional quality* – the value addition of the evaluation function – the Evaluation Office has started to report to the Executive Board, from this year onwards, not only the implementation rate of management responses of evaluations, but also the changes (or lack of changes) in UNFPA policies, strategies and practices to which corporate evaluations have contributed. This year, the Evaluation Office is reporting on the two corporate evaluations below.

Evaluation of the architecture supporting the operationalization of the UNFPA strategic plan (2014-2017)

44. The main purpose of the evaluation of the architecture supporting the operationalization of the UNFPA strategic plan, 2014-2017 was to inform the design of the UNFPA strategic plan, 2018-2021. Through regular interactions between the evaluation team and the UNFPA strategic plan development team, useful and timely information was provided throughout the evaluation process, ahead of the finalization of the evaluation report.

45. In response to the evaluation recommendation to revise the business model with regard to the modes of engagement approach, the UNFPA strategic plan, 2018-2021, clarifies that, with the exception of service delivery (which will be reserved for countries in the red quadrant and countries in humanitarian settings), all modes of engagement will now be made available to country offices regardless of their classification. The recommendation to develop and implement a comprehensive change management process has led to the establishment of an interdivisional working group, headed by the Deputy Executive Director for Management. The working group was tasked with the development and implementation of a change management plan for the entire organization as well as related communication products. Tasks currently carried out within the framework of the change management process include a comprehensive resources review and the development of an information and communication technologies plan.

Evaluation of UNFPA support to population and housing census data to inform decision-making and policy formulation (2005-2014)

46. The evaluation of UNFPA support to population and housing census data to inform decision-making and policy formulation (2005-2014) provided the foundation for the UNFPA 2020 census strategy. Specifically, in accordance with the recommendations, UNFPA built its strategy around seven key pillars: (a) streamlining the internal organizational structure; (b) rolling out structured census technical guidance; (c) promoting integration of high-resolution geographic information systems in censuses; (d) strengthening capacity for greater utilization of census data; (e) promoting new and innovative census technologies and methodologies to estimate and generate population data for development; (f) leveraging institutional partnerships at all levels; and (g) strengthening resource mobilization.

47. Following an evaluation recommendation, UNFPA has undertaken an assessment of in-house census expertise, and is designing a capacity development strategy to address existing gaps. Corporate guidelines on the qualifications needed by UNFPA staff to support a census effectively are being developed. In 2017, UNFPA invested in regional workshops to strengthen capacity on census. To ensure that capacity development and technical support meet a country's needs, UNFPA plans to establish a census roster for a rapid deployment to provide technical support to countries (this is also a recommendation of the evaluation). In addition, UNFPA reduced duplication of efforts through an improved coordination of technical support to countries with the United Nations Statistical Division and the United States Census Bureau under a newly established International Committee on Census Coordination. A UNFPA inter-divisional working group (led by the Population and Development Branch) started rolling out structured census technical guidance tools for multi-year planning purposes, to guide UNFPA country offices in supporting national statistical offices. Other upcoming guidance will relate

to resource mobilization, user consultation, political risk assessment, census technology, field management and post-enumeration surveys.

F. Decentralized evaluation system

48. Reflecting the decentralized nature of UNFPA, 73 per cent of all evaluations were managed by field offices (both country and regional offices), with the remainder managed at corporate level by the Evaluation Office. This ensures a right balance between corporate evaluations that inform global policies, strategies and initiatives, and decentralized evaluations managed by field offices that generate country-specific evidence relevant to UNFPA country programmes.

49. However, this also underscores the importance of ensuring the delivery of planned decentralized programme-level evaluations that continue to meet high quality standards. Resource constraints, affecting overall coverage and implementation, continue to be a significant challenge. To address this, the Evaluation Office, the Programme Division and the regional offices are working together to address the underlying drivers of budget challenges and to ensure the continued credibility, quality and use of decentralized evaluations.

Systems to improve the quality, credibility and use of decentralized evaluations

50. To ensure proper evaluation planning, country and regional costed evaluation plans continued to be reviewed by the Programme Review Committee at UNFPA headquarters. To enhance proper implementation, the Evaluation Office deepened its collaboration with the Programme Division. For instance, the Programme Division and the Evaluation Office jointly analysed implementation rates in 2016 and 2017 to identify bottlenecks. This led to a joint communication to regional and country offices highlighting the importance of implementing planned evaluations in 2018 and the necessity for timely backstopping services, should challenges arise.

51. The identification of evaluation consultants with the required experience has remained a challenge. To address this, the Evaluation Office in 2017 enhanced the user-friendliness of the global consultancy roster by organizing the vetted consultants by key search items. In addition, the Evaluation Office continued to assess consultants, bringing the number of vetted evaluation consultants to 32 (out of over 1,000 applications received).

52. The evaluation quality assessment system continued to be used as a key instrument to assure the quality and credibility of decentralized and corporate evaluations. This contributed to achieving 95 per cent of reports rated as 'good' and above.

Internal evaluation capacity development

53. To ensure a systemic and corporate approach to evaluation capacity development, the Evaluation Office in 2017 led an interdivisional working group to develop a related action plan for 2018-2021. Meanwhile, the Evaluation Office and regional monitoring and evaluation advisers continued to contribute, throughout 2017, to a wide variety of workshops and trainings aimed at strengthening evaluation capacity.

54. Both the Asia and Pacific Regional Office (APRO) and the East and Southern Africa Regional Office (ESARO) organized training workshops for monitoring and evaluation staff and other country-level staff, developing their capacity on results-based management, planning, monitoring and evaluation and communication of evaluation results. The West and Central Africa Regional Office (WCARO) organized two results-based management workshops, one for francophone country offices and another for anglophone country offices. The Eastern Europe and Central Asia Regional Office (EECARO) created, jointly with the Evaluation Office, a "learning hour" focused on evaluation and on 'leaving no one behind'.

55. Innovative approaches to enhance knowledge sharing were also implemented. EECARO provided off-site technical assistance to build capacity of country office monitoring and evaluation focal points, strengthening collaboration between the regional office and the country offices. APRO organized a peer-to-peer learning exercise, in which country offices that completed country programme evaluations in 2016 shared their experiences with country offices initiating evaluations in 2017.

G. Meta-analysis of the engagement of UNFPA in highly vulnerable contexts

56. In order to leverage the wealth of evidence provided by decentralized evaluations, the Evaluation Office in 2017 conducted a meta-analysis aimed at generating learning on UNFPA engagement in countries at high risk of facing a humanitarian crisis as well as those emerging from humanitarian situations, such as natural disasters, epidemics and armed conflicts. Building on a synthesis of the results of six previously completed country programme evaluations, the meta-analysis gathered information on a wider circle of 25 UNFPA priority humanitarian countries through document reviews, semi-structured interviews and electronic surveys.

57. The meta-analysis concluded that a fair basis had been established for UNFPA to position itself strategically and programmatically within the humanitarian-development nexus, although it also noted the need for a corporate vision or policy. It suggested UNFPA should develop a strong corporate policy on working across the humanitarian-development-peace nexus. It also suggested producing case studies on linking development and humanitarian approaches in the niche areas of UNFPA and to work towards more flexibility, to shift financial resources from emergency to development, and vice versa.

58. The report noted that while UNFPA has clearly emerged as a humanitarian agency, funding is not commensurate with population needs and corporate commitments. With the aim of enhancing the capability of country offices to adequately finance their emergency and response plans, including by leveraging additional other resources, the meta-analysis suggested using the midterm review of the UNFPA strategic plan, 2018-2021, to adapt the UNFPA resource allocation system, notably by: (a) introducing a funding floor; and (b) better reflecting fragility and risk in funds allocation criteria. A stronger focus on preparedness should also be placed in UNFPA country programmes to manage humanitarian needs.

59. The meta-analysis highlighted that UNFPA staff in highly vulnerable contexts are frequently stretched thin; this affects their well-being and performance as well as the reputation of UNFPA as a humanitarian actor. As a remedy, it suggested that office structuring be reviewed to meet strategic plan humanitarian requirements. It also suggested that adequate presence of dedicated humanitarian staff be ensured in UNFPA priority humanitarian countries.

60. Another key conclusion of the report was that UNFPA is at crossroads – whether to invest further in becoming a go-to agency for humanitarian data or to accept a more modest role. Key suggestions in this regard are to clarify expectations underlying 'increasing investment in data in emergencies', as per the UNFPA strategic plan, 2018-2021, to ensure the availability of adequate expert support for country offices in headquarters and regional offices, and to explore options for better using and integrating population and development officers in humanitarian programming.

III. Enhancing coherence in the United Nations system evaluation functions

61. As outlined in the introduction, the Evaluation Office is fully committed to enhancing coherence in the United Nations system's evaluation functions, including in the framework of United Nations reform. It does so engaging and collaborating with other United Nations entities, either bilaterally or system-widely, as presented below.

A. The United Nations Evaluation Group (UNEG)

62. The Evaluation Office has been co-leading the UNEG work on the professionalization of evaluation and on the decentralized evaluation function since 2015. After the working group on professionalization of evaluation launched six pilot projects in 2016 (to test the practical applicability of the newly developed evaluation competency framework), the first tentative lessons learned were identified and reported back to UNEG at its annual general meeting in March 2017. An evaluation competency leaflet and a related tool were subsequently developed and widely disseminated. As co-convener of the decentralized evaluation function interest group, the Evaluation Office has contributed to promoting and sharing good practices and learning across agencies, including through the exploratory study of the United Nations decentralized evaluation functions.

63. The Evaluation Office has contributed to the work of the UNEG working groups on gender and human rights, as well as humanitarian issues. In particular, the Evaluation Office contributed to the guidelines on evaluating corporate gender-equality policies; the development of an e-learning course on integrating human rights and gender equality in evaluations; and the United Nations system-wide action plan on gender equality and the empowerment of women (UN-SWAP) evaluation performance indicator technical revision. The Evaluation Office also contributed to the development of a mapping and synthesis of humanitarian-development nexus evaluations as well as a draft guidance for evaluating humanitarian interventions, to be piloted in 2018.

64. The Evaluation Office actively participated in the UNEG evaluation week 2017, including by organizing, together with UNDP, UNICEF and the Office of the High Commissioner for Human Rights, a panel discussion on: "No one left behind: evaluating vulnerable and marginalized groups".

B. United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women

65. On a yearly basis, the Evaluation Office reports on compliance of the UNFPA evaluation reports against the evaluation performance indicator for the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women. In 2017, on aggregate, UNFPA evaluation reports met the requirements of that indicator, with a score of 9.23. This reflects a continuous year on year improvement from 2015 (with a score of 8.87) and 2016 (with a score of 9.15) in the integration of gender equality principles in evaluation reports.

C. Inter-Agency Humanitarian Evaluation

66. In 2017, the Evaluation Office continued to take part in the work of the IAHE Steering Group. In response to an independent review in 2016, the Steering Group decided to improve IAHE performance by adopting four action points: (a) development of a conceptual framework; (b) development of a four-year rolling workplan; (c) development of an engagement and communications strategy; and (d) revision of the guidelines for inter-agency humanitarian evaluations. As part of its four-year workplan, the IAHE Steering Group is planning to launch a system-wide evaluation of the response to the humanitarian crisis in Yemen in 2018. The Evaluation Office volunteered to co-lead this evaluation.

D. Independent system-wide evaluation mechanisms

67. The Evaluation Office is fully committed and engaged in supporting independent system-wide evaluation mechanisms, and will continue to do so in future. In 2016, the Evaluation Office supported in two independent system-wide evaluations, led by the Joint Inspection Unit. Both evaluations were part of a pilot to develop and test independent system-wide evaluation mechanism in the United Nations system. In 2017, through the UNEG, the Evaluation Office also supported the external review of the independent system-wide

evaluation mechanism, which recommended the establishment of an independent system-wide evaluation unit. In addition, technical advice was also delivered, through the UNEG, to the United Nations Secretary-General's office in further developing the proposal to establish an independent system-wide evaluation unit presented in the Secretary-General's report: *Repositioning the United Nations development system to deliver on the 2030 Agenda: our promise for dignity, prosperity and peace on a healthy planet.*

E. Joint evaluations

68. UNFPA supports joint evaluations with other United Nations organizations both at corporate and decentralized levels. At corporate level, UNFPA in 2017 managed, together with UNICEF, the joint scoping exercise for the joint evaluation of female genital mutilation, as well as the joint availability assessment of the joint programme on child marriage, in addition to the joint evaluation of the H4+ joint programme. At country level, in addition to supporting UNDAF evaluations, UNFPA also manages joint evaluations. For example, in 2017, UNFPA, together with UNICEF and WFP, managed the joint evaluation of the joint programme on girls' education in Malawi, in close collaboration with the Ministry of Education of Malawi.

F. United Nations regional evaluation groups and UNDAF evaluations

69. UNFPA has actively supported all UNDAF evaluations managed by the United Nations system in 2017 – whether through technical and/or financial support. In the majority of cases, UNFPA is a member of the monitoring and evaluation task force of the United Nations country teams (UNCT). UNFPA is co-leading or actively contributing to United Nations regional evaluation groups, comprising the regional monitoring and evaluation advisors of different United Nations entities. For example, in Latin America and the Caribbean, UNFPA co-chairs (together with UNICEF) the interagency regional monitoring and evaluation task team of the Programme Support Group of the United Nations Development Group for the region, which systematically provides quality assurance and technical assistance to the UNDAF evaluation processes. In the Asia Pacific region, besides delivering joint training to UNCT members, UNFPA is an active member of the United Nations Evaluation Development Group for Asia and the Pacific, which supports UNDAF evaluations in that region.

IV. Multi-stakeholder partnerships for national evaluation capacity development

70. The Evaluation Office has been working to strengthen its engagement for national evaluation capacity development since 2016. It is member of key multi-stakeholders partnerships, including EvalPartners and EvalGender+. Given the specific mandate for youth, the Evaluation Office in late 2017 started a new partnership with EvalYouth – an EvalPartners' global movement of young evaluators that engages up to 20,000 youth all over the world. Within this framework, the Evaluation Office supported the second EvalYouth virtual conference, with 750 young evaluators from all over the world registered, and, together with ASRO and the Jordan country office, helped to organize a capacity-building workshop for young evaluators in the region, leading to the launch of the EvalYouth MENA chapter.

71. The Evaluation Office supported the regional evaluation conference organized by EvalMENA in Jordan, and delivered the keynote opening speech on "Evaluating humanitarian assistance and refugee response in the context of the 2030 Agenda for Sustainable Development." About 200 participants from all over the region, including representatives of Governments, civil society organizations, academia, parliamentarians and young evaluators, attended the conference.

72. The Evaluation office and EECARO contributed to the international conference on strengthening national evaluations systems organized by UNDP. The Latin America and

Caribbean Regional Office worked closely with Governments in Panama, Dominican Republic and Uruguay to support them in evaluating national policy initiatives.

V. The Evaluation Office programme of work in 2018

73. The Evaluation Office will continue in 2018 its work in the following four key results areas.

A. Corporate evaluations

74. As detailed in the quadrennial budgeted evaluation plan, 2018-2021, the Evaluation Office will manage seven corporate evaluations. Three evaluation were begun in 2017; these will be finalized in 2018: (a) Midterm evaluation of the UNFPA supplies programme; (b) Evaluation of the UNFPA response to the Syria crisis; (c) Meta-analysis of the engagement of UNFPA in highly vulnerable contexts. Four corporate evaluations will be initiated in 2018, to be completed in 2019: (a) Evaluation of UNFPA capacity to respond to humanitarian crisis; (b) Evaluation of results-based management approaches; (c) joint evaluation of the UNFPA-UNICEF Joint Programme on the Abandonment of Female Genital Mutilation: Accelerating Change (Phases I and II); and (d) [as a member of IAHE] a system-wide inter-agency humanitarian evaluation.

B. Decentralized evaluation system

75. As detailed in the quadrennial budgeted evaluation plan 2018-2021, country and regional offices have planned 14 country programme evaluations and 3 regional programme evaluations for 2018. To support implementation, quality assurance and use of these evaluations, the Evaluation Office will continue to strengthen the decentralized evaluation system through: (a) an update of the handbook on country programme evaluation, along with the development of accompanying e-learning; (b) delivery of technical support; (c) evaluation capacity development initiatives; and (d) quality assurance and assessment mechanisms. In addition, it will maintain the roster of evaluation consultants and the knowledge management system.

C. Enhancing coherence in the United Nations system evaluation functions

76. The Evaluation Office will continue to be an active participant in UNEG, IAHE, the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women, and other system-wide evaluation initiatives. It will continue to co-lead or take part in UNEG taskforces on the professionalization of evaluation, the decentralized evaluation function, gender and human rights, and on humanitarian issues. The Office will also continue working with IAHE and seek membership to the Active Learning Network for Accountability and Performance in Humanitarian Action, a global network whose members are Governments, United Nations agencies, civil society organizations and academic institutions.

D. Multi-stakeholder partnerships for national evaluation capacity development

77. The Evaluation Office will continue its engagement in multi-stakeholder partnerships for national evaluation capacity development, including with EvalPartners, EvalYouth and Evalgender+.

E. Budget for the 2018 work plan

78. As of February 2018, the total budget of the Evaluation Office for 2018 was $4,381,719. The budget comprises two funding categories: (a) institutional budget ($2,981,181) and (b) non-core resources ($1,400,538).

United Nations DP/FPA/2018/6

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Report of the Director of the Office of Audit and Investigation Services on UNFPA internal audit and investigation activities in 2017

Summary

The present report on the UNFPA internal audit and investigation activities of the Office of Audit and Investigation Services (OAIS) for the year ending 31 December 2017 responds to Executive Board decisions 2015/2 and 2015/13 and earlier pertinent Board decisions.

The report presents a review of activities completed in 2017 by OAIS on internal audit and investigation. The report contains information on (a) the resources in OAIS for 2017; (b) significant issues revealed through OAIS internal audit and investigation activities; (c) investigations, including cases of fraud and actions taken; (d) the review of internal audit recommendations issued in 2010-2017 and their implementation status. Finally, the opinion of OAIS, based on the scope of work undertaken, on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control is included in document (DP/FPA/2018/6/Add.1). Annexes 1 to 7 are available separately on the UNFPA website.

Pursuant to Executive Board decision 2015/2 and earlier pertinent decisions, the annual report of the UNFPA Audit Advisory Committee (DP/FPA/2018/6/Add.2) is provided as an addendum to the present report. The management response thereto and to the present report is also available (DP/FPA/2018/CPR.5).

Elements of a decision

The Executive Board may wish to:

Take note of the present report (DP/FPA/2018/6), the opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control (DP/FPA/2018/6/Add.1), the annual report of the Audit Advisory Committee (DP/FPA/2018/6/Add.2), and the management response thereto and to the present report;

Express its continuing support for the strengthening of the audit and investigation functions at UNFPA, and for the provision of sufficient resources to discharge their mandate;

Acknowledge and support the engagement of the Office of Audit and Investigation Services in joint audit and investigation activities.

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Annex 7: Update on action taken on investigation reports issued in 2014, 2015 and 2016

(Annexes 1 to 7 are available separately on the UNFPA website)

I. Introduction

1. The present report provides the Executive Board with a summary of the internal audit and investigation activities conducted by the Office of Audit and Investigation Services (OAIS) in 2017. It also provides the opinion of OAIS, based on the scope of work undertaken, on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control processes, as per decision 2015/13. This report provides first an overview of assurance, resources and activities undertaken by OAIS, before presenting a synthesis of findings from the work undertaken and of recommendations made and management action.

II. Assurance at UNFPA

A. Mandate, professional standards and independence

2. The OAIS mandate is based in Article XVII of the 2014 UNFPA financial regulations and rules, the oversight policy,[1] and the accountability framework.[2] OAIS solely performs or manages, or authorizes others to perform or manage, the following oversight functions: (a) independent internal audit services (adequacy and effectiveness of governance, risk management and internal control processes, and economic and efficient use of resources); and (b) investigation services (allegations of wrongdoing). The UNFPA Executive Director last approved the OAIS Charter on 26 January 2018. The Charter is included in Annex 1.

3. The Audit Advisory Committee (AAC) and the United Nations Board of Auditors regularly monitor the quality of OAIS work. The AAC continues to offer advice to promote the effectiveness of audit and investigation services provided by OAIS; in 2017, it reviewed the OAIS annual workplan, budget, regular progress reports, annual report and internal audit reports. The United Nations Board of Auditors monitored the actions taken to implement their recommendations aimed at improving OAIS operations. The external auditors continued to rely on OAIS work and reports in 2017.

4. As in past years, OAIS received support from UNFPA senior management throughout the year. The OAIS Director attended, inter alia, meetings of the UNFPA Executive Committee in ex-officio capacity, which provided her with an opportunity to advise senior management on governance, accountability or control aspects of new policies or procedures and to comment on any emerging potential risks to UNFPA.

5. OAIS conducted its work in accordance with the professional standards by which it is bound and the policies by which it has to abide – the oversight policy, the financial rules and regulations, and the staff rules and regulations; for internal audit, the International Standards for the Professional Practice of Internal Auditing;[3] and for investigation, the UNFPA disciplinary framework, the UNFPA vendor sanction policy, the UNFPA policy on protection against retaliation for reporting misconduct or for cooperating with an authorized fact-finding; and the Uniform Principles and Guidelines for Investigations.

6. To ensure its continuing effectiveness in carrying out its mandate, OAIS maintains a quality assurance and improvement programme for both the internal audit and the investigation functions. OAIS is implementing the recommendations from the external quality assessments of the internal audit function (2015) and the investigation function (2016).

[1] Executive Board decision 2015/2; see also DP/FPA/2015/1.

[2] See DP/FPA/2007/20.

[3] Promulgated by the Institute of Internal Auditors (IIA).

7. The OAIS Director hereby confirms to the Executive Board that OAIS enjoyed organizational independence in 2017. OAIS has been free from interference in determining and performing the scope of its work, and communicating its results.

B. Opinion on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control

8. In the opinion of the Director, OAIS, based on the scope of work undertaken, the adequacy and effectiveness of the UNFPA governance, risk management and internal control processes was 'some improvement needed' – which means that the assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited UNFPA area objectives. Management action was recommended to ensure that identified risks are adequately mitigated.

9. The reasons for the opinion formulated, the information on the criteria used as a basis therefor, the scope of work undertaken and the additional sources of evidence considered, as appropriate, to formulate the opinion, and the processes followed for aggregating and assessing the issues identified are provided in document DP/FPA/2018/6/Add.1.

C. Compliance with the oversight policy

10. The procedures for disclosure of internal audit reports, as stipulated in DP/FPA/2015/1, were in force throughout 2017, the fifth year of public disclosure. Although no request for access to reports issued between September 2008 and November 2012 was received in 2017, one report was provided to a Member State outside the framework. All reports issued after 1 December 2012 have been made public, within – in average – one month of internal issuance. For OAIS, the clarity and quality of its internal audit reports remain a matter of continuous attention, with significant time and effort invested in management interactions.

11. As stipulated in DP/FPA/2015/1 (paragraph 27), OAIS resources were effectively and efficiently deployed in 2017; however, vacancies and events beyond OAIS control hindered it from achieving the expected internal audit plan. Resources were insufficient to address the mounting – and increasingly complex – investigation caseload, or for supporting management other than through sporadic advisory services (see sections III, 14, V, VIII and IX).

III. Resources

12. As at 31 December 2017, OAIS had 24 approved posts: 4 at the general-service level and 20 at the professional level. The internal audit complement includes two chiefs, nine auditors and a data analyst, augmented, for field missions, by individual consultants and staff from local audit firms under long-term agreement (representing approximately over two full-time equivalent); three positions were vacant at year-end; these were all filled within the first quarter of 2018. On investigation, the complement includes a chief, five staff investigators at various levels, augmented by investigation consultants. As in past years, the OAIS directorate, with the Director and two general-service staff (one post being vacant at year-end) covers the general management and administration of OAIS as well as the following functions: issuance of all reports; relations with Member States and donors; most advisory services; serving as the UNFPA focal point for the Joint Inspection Unit; and serving as the AAC secretariat. The internal audit quality assurance and improvement function has been included since 2016 in the directorate, with a dedicated professional staff.

13. Difficulties in identifying suitably qualified candidates, compounded by delays in the recruitment and entry-on-duty processes, remained valid in 2017 as in past years. The overall vacancy rate in OAIS was higher in 2017, at 25 per cent, with a different distribution compared to 2016 (see Table 1). It was in part compensated by engaging over five full-time consultants.

Table 1
Resources – 2016 and 2017

Budget	Internal Audit		Investigation		Directorate		AAC		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Professional posts – approved	10	12	5	6	2	2	-	-	17	20
Vacancy rate	*13%*	*23%*	*22%*	*39%*	*0%*	*0%*	-	-	*14%*	*25%*
Support posts – approved	1	1	1	1	2	2	-	-	4	4
Vacancy rate	*0%*	*0%*	*0%*	*0%*	*50%*	*50%*	-	-	*25%*	*25%*
(In thousands of United States Dollars)										
Staff costs (vacancy adjusted)	2,179	2,211	789	948	719	670	-	-	3,687	3,829
Individual consultants	171	252	299	451	-	-	67	65	537	768
Procured services	472	688	27	111	-	-	-	-	499	799
Travel	336	330	136	305	11	36	53	161	536	832
Operational costs [i]	32	53	45	26	-	-	10	8	87	87
Learning [ii]	n.a.	44	n.a.	13	n.a.	11	-	-	n.a.	68
TOTAL	3,190	3,578	1,296	1,854	730	717	130	234	5,346	6,383

(i) Mainly for information technology (IT) systems.
(ii) Learning only included in OAIS budget in 2017.

14. Since 2014, OAIS has been solely funded from the UNFPA institutional budget. In 2017, as in previous years, OAIS continued to proactively manage its budget. Adjusted for the 2017 actual vacancy rate, the yearly budget increased, compared to 2016 (see Table 1 above).

IV. Internal audit activities in 2017

A. Audit risk assessment methodology

15. OAIS executes its assurance activities based on a risk-based audit plan, approved by the Executive Director after review by the Audit Advisory Committee. The audit plan was developed based on a documented audit risk assessment of the audit universe, composed of 138 business units involved in programme delivery activities, 15 core business processes, and 10 information and communications technology (ICT) areas. Risk is measured through a portfolio of indicators representing the potential impact and likelihood of events that might adversely affect the achievement of objectives of the business units, processes and systems assessed.

16. The business unit audit risk assessment uses indicators that measure: (a) programme materiality, complexity, performance and changes; (b) operational complexity and performance; (c) business unit capacity to manage programme and operational activities; and (d) corruption levels[4] in the countries where field offices are located.

17. The core business process audit risk assessment uses indicators that measure: (a) the monetary value flowing through these processes, their impact and complexity; (b) the changes

[4] Based on indicators published by the World Bank.

affecting them; (c) the perceived effectiveness of systems and controls in place; and (d) the capacity to manage processes.

18. Risks associated with ICT are assessed separately, based on indicators that measure: (a) their relevance and complexity; (b) changes affecting them; and (c) the perceived effectiveness of controls in place in these areas.

19. The audit risk assessment also considered: (a) the outcome of the enterprise risk management (ERM) and control self-assessment processes under implementation by management; (b) interactions with management at headquarters and regional offices; (c) the results and completion dates of previous internal and external audits; as well as (d) the knowledge gathered through investigation work. The outcome of the risk assessments is elaborated in section VI.A.

B. Audit plan for 2017

20. The audit plan for 2017 was based on (a) the 2016/2017 business unit and process audit risk assessment results; and (b) the ICT risk assessment conducted in late 2015.

21. The original 2017 internal audit workplan included 30 audit engagements covering primarily 2016 expenses, and comprised a mix of high and medium-risk business units; high-risk processes, programmes and ICT areas; and joint audits, as decided among the internal audit services of the United Nations system organizations (UN-RIAS). In order to maximize resources, audits were deliberately planned to reach varying degrees of completion by year-end. During the year, the plan was amended to reflect high emerging risks requiring immediate attention, shifting environments, the introduction of a new ICT tool later than originally planned, and unforeseeable events. The actual level of implementation is presented in Table 2.

Table 2
Overview of 2017 audits

Status	Business units	Processes and programmes	ICT	Joint audits [a]	Remote audit process[b]	Total
Original planned audits – by finalization year						
To be finalized in 2017	18		1	1	1	21
To be started in 2017 and finalized in 2018	3	2	1		3	9
Total audits	**21**	**2**	**2**	**1**	**4**	**30**
Actual audits – by status at year-end						
Final reports issued [c]	9		1	3		13
Draft reports issued [d]	2				1	3
Subtotal	**11**	**-**	**1**	**3**	**1**	**16**
Draft reports under preparation or review	5					5
Planning or fieldwork phase	3				2	5
Total	**19**	**-**	**1**	**3**	**3**	**26**

Notes
(a) Under leadership of other United Nations internal audit services.
(b) Review, from headquarters, of the operating effectiveness of selected key controls and financial transactions of field offices.
(c) List in Annex 2. One business unit was audited in two phases, with separate reports.
(d) All final reports were issued as at 15 February 2018.

22. The eight business unit audits (country offices, one of which was covered twice, and a regional humanitarian hub) covered expenses amounting to $168.4 million – 18 per cent of 2016 total expenses. One audit was rated as 'satisfactory' or 'effective'[5] (11 per cent); six audits (67 per cent) were rated as 'some improvement needed';[6] one as 'major improvement needed';[7] and one as 'not effective' (11 per cent respectively).[8] Ratings by audited area are shown in Table 3.

Table 3
2017 business unit audits - ratings by area

Rating	Areas[(a)]					
	Office governance		Programme management		Operations management[(b)]	
	Offices	%	Offices	%	Offices	%
Satisfactory/effective	1	*11%*	2	*22%*	4	*57%*
Some improvement needed	7	*78%*	5	*56%*	2	*28%*
Major improvement needed	1	*11%*	2	*22%*	-	-
Not effective	-	-	-	-	1	*14%*

(a) Scope and depth of review varies by audit, commensurate with the results of the planning audit risk assessment.

(b) One business unit was audited in two phases, with operations management covered once; for another, operations management was not relevant.

23. One ICT audit was completed in 2017 (UNFPA website governance) with a rating of 'some improvement needed' after the two first phases of audit work. That rating was raised to 'effective' when finalizing the report, after OAIS assessed the numerous initiatives and changes undertaken by management, concluding that the original issues identified had all been addressed (see further details in paragraphs 61-62).

24. Timeliness of report finalization was hindered in 2017 (16 reports issued in 2017 versus 19 in 2016), in view of the limited OAIS management capacity due to unforeseen vacancies and the elapsed time in receiving management responses for some reports.

25. Details on the most significant findings are provided in Section VI.B.

[5] 'Effective' – "The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area's objectives."

[6] 'Some improvement needed' – "The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the Office will be achieved. The issues and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated."

[7] 'Major improvement needed' – "The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated."

[8] 'Not effective' – "The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues identified could seriously compromise the achievement of the audited entity or area's objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated."

C. Resulting audit coverage

26. The OAIS audit strategy indicates that high-risk business units would be audited over a three-year cycle, and medium-risk business units over a 10-year cycle, with additional assurance provided through the remote audit process, which also covers low-risk business units. Supplementing the coverage provided by business unit audits, high-risk core processes would be covered through cross-cutting reviews over a 10-year period.

27. The average audit cycle for high- and medium-risk business units for the period 2015-2017 was 5 and 11 years (versus 6 and 12 years for 2014-2016 and 10 and 18 years for 2013-2015, respectively); and over 12 years for the higher-risk core processes.

V. Investigation activities in 2017

28. OAIS is responsible for conducting investigations into all types of allegations of wrongdoing:

(a) Internal investigations: misconduct by UNFPA staff, ranging from fraud and corruption to harassment, sexual harassment, abuse of authority, retaliation against whistle-blowers, sexual exploitation and abuse, and other violations of applicable regulations, rules and administrative or policy issuances; and

(b) External investigations: proscribed practices by independent contractors, implementing partners, suppliers and other third parties, including corrupt, fraudulent and other unethical practices committed to the detriment of UNFPA.

29. After receiving a complaint, OAIS conducts a preliminary assessment to determine whether there are reasonable indications of wrongdoing. When OAIS determines that there are insufficient grounds to merit a full investigation, the matter is closed, documented with a closure note; when appropriate, situations are referred to management for attention or action, or for informal resolution. If the assessment finds a reasonable indication that wrongdoing occurred, OAIS opens a formal investigation. Should it be substantiated, OAIS issues an investigation report by subject (staff, other personnel or entity involved) to the Executive Director, for appropriate administrative or disciplinary action, or sanction, and where relevant, referral to national authorities and financial recovery. When an investigation reveals systemic weaknesses in internal controls that are not already covered in internal audit reports, OAIS may issue a separate communication for management to address the identified weaknesses.

A. Caseload

30. In 2017, OAIS dealt with 106 new cases, a 18 per cent increase, compared to 2016.

31. Together with the 41 cases carried over from 2016, OAIS dealt in 2017 with 147 active cases (see Table 4), a slight increase compared to 2016 (and 81 per cent, compared to 2013). In addition, OAIS dealt with 11 cases of staff soliciting advice related to the OAIS investigation mandate.

Table 4
Overview of cases received and closed in 2017

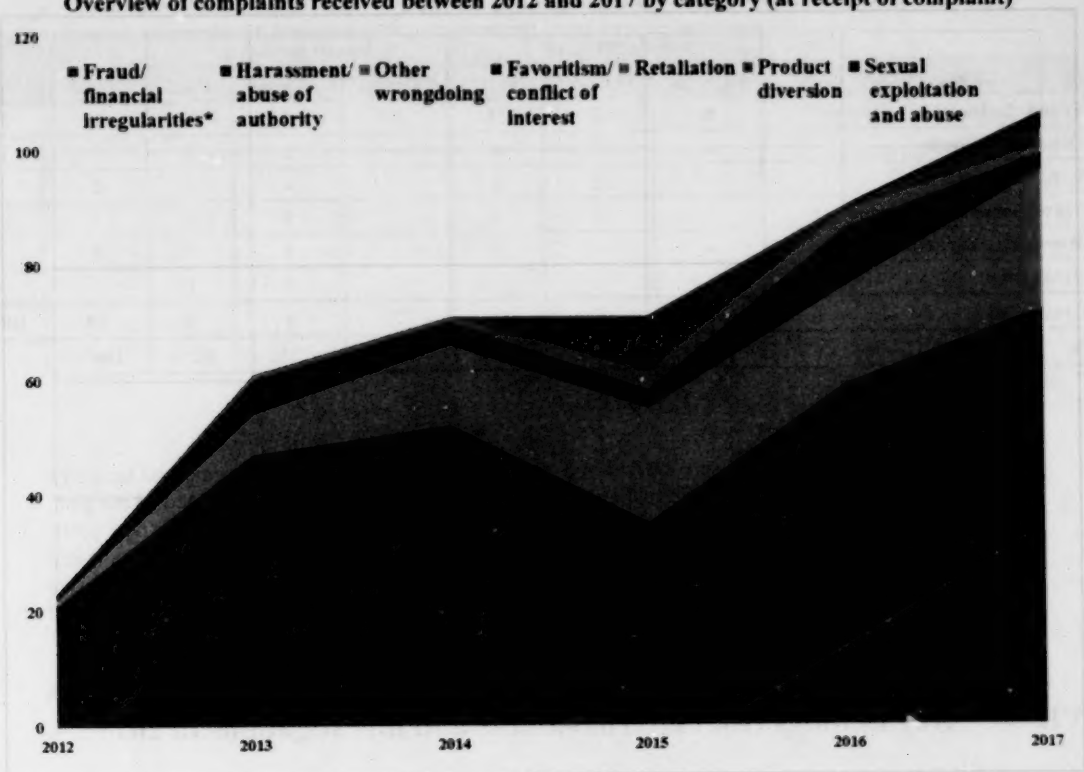
	2014	%	2015	%	2016	%	2017	%
Cases carried over								
- from 2012 or earlier	2	*2%*						
- from 2013	32	*30%*	3	*3%*				
- from 2014			41	*36%*	4	*3%*		
- from 2015					48	*34%*	4	*3%*
- from 2016							37	*25%*
Complaints received in current year	71	*68%*	71	*61%*	90	*63%*	106	*72%*
of which: internal	*50*	*48%*	*44*	*38%*	*58*	*41%*	*64*	*44%*
external	*21*	*20%*	*27*	*23%*	*32*	*23%*	*42*	*28%*
Total caseload	**105**	***100%***	**115**	***100%***	**142**	***100%***	**147**	***100%***
Cases closed								
After preliminary assessment	41	*67%*	35	*56%*	75	*74%*	53	*65%*
After full investigation	20	*33%*	28	*44%*	26	*26%*	29	*35%*
of which: substantiated	*15*	*24%*	*13*	*21%*	*19*	*19%*	*14*	*17%*
unsubstantiated	*5*	*8%*	*15*	*24%*	*7*	*7%*	*15*	*18%*
Total cases closed	**61**	***100%***	**63**	***100%***	**101**	***100%***	**82**	***100%***
Cases carried over to the following year	**44**		**52**		**41**		**65**	
of which: internal	*27*	*61%*	*26*	*50%*	*25*	*61%*	*38*	*58%*
external	*17*	*39%*	*26*	*50%*	*16*	*39%*	*27*	*42%*

B. Types of complaints

32. In 2017, OAIS received 53 cases (50 per cent) related to fraudulent practices (internal and external), followed by allegations of other forms of wrongdoing without financial implications (e.g. extortion, abuse of privileges and immunities) with 24 cases (23 per cent); 16 cases (15 per cent) related to workplace harassment (13 cases), sexual harassment (2 cases) and abuse of authority (1 case). Other allegations received involved sexual exploitation and abuse – 3 cases (3 per cent); favouritism – 3 cases (3 per cent); theft – 3 cases (3 per cent); product diversion – 3 cases (3 per cent); and retaliation – 1 case (1 per cent). Figure 1 presents the trend by category and by year.

Figure 1

Overview of complaints received between 2012 and 2017 by category (at receipt of complaint)



(*) Includes fraudulent practices, theft and misrepresentation.

33. OAIS received complaints reported by email directly to OAIS (42 per cent); through the OAIS confidential investigation hotline (25 per cent); in person (18 per cent); by referral from internal audit (8 per cent); and by entities external to OAIS or to UNFPA (6 per cent). A number of allegations were also derived proactively from other investigations (2 per cent).

C. Disposition of cases

34. Of the overall caseload (147 cases), 82 cases were concluded in 2017: 53 after a preliminary assessment and 29 after a full investigation.

35. Of the 29 cases investigated, 14 cases were substantiated in full or in part (see Table 5 and details in Annex 6). The approximate aggregate value of substantiated cases involving fraudulent practices and financial irregularities amounted to $41,345.

Table 5
Overview of cases investigated in 2017 by category (at conclusion of investigation)

Description	Substantiated			Unsubstantiated			Total	
	External	Internal	Total	External	Internal	Total	Total	% (*)
Fraud/ financial irregularity(*)	8	3	11	7	3	10	21	73%
Other wrongdoing	-	1	1	-	2	2	3	10%
Conflict of interest	-	2	2	-	-	-	2	7%
Sexual exploitation and abuse	-	-	-	-	1	1	1	3%
Workplace harassment	-	-	-	-	1	1	1	3%
Retaliation	-	-	-	-	1	1	1	3%
Grand Total	8	6	14	7	8	15	29	100%(**)
%	27%	21%	48%	24%	28%	52%	100%	

(*) *Including one case of theft*
(**) *Difference due to rounding*

36. Sixty-five cases were carried over to 2018 (a 58 per cent increase, compared to 2017). Those related primarily to internal matters of medium priority. 'Fraud' represented 68 per cent, followed by 'other misconduct' (14 per cent), 'workplace harassment' (6 per cent), 'favouritism' (5 per cent), 'theft' (5 per cent), 'sexual exploitation and abuse' (2 per cent) and 'conflict of interest (2 per cent). From the 65 cases, 48 per cent (31 cases) were at the preliminary assessment stage and 52 per cent (34 cases) either at the investigation or report writing stages. Forty-five per cent of the carried-over portfolio (29 cases) was above the six-month target for case conclusion.

VI. Key findings from internal audits and investigations in 2017

A. 2017 Audit risk assessment

37. Table 6 summarizes the outcome of the 2017 audit risk assessments of business units. In view of the risk assessment of (a) business units and (b) of the components of core processes and ICT – which supports the 2018 audit plan.

Table 6
Outcome of the 2017 audit risk assessment

Entities	Risk			Total
	High	Medium	Lower	
Country offices	12	48	61	121
Regional offices	-	5	1	6
Liaison offices	-	-	8	8
Headquarters units involved in programme delivery	1	3	1	5
Business units	**13**	**56**	**71**	**140**
Components of core processes and ICT (*)	**30**	**90**		**120**

(*) Core processes and ICT were decomposed in their components; the assessment focussed on higher-risk ones.

38. The audit risk assessment reflects the UNFPA risk exposure, which remained fundamentally unchanged, compared to previous years. The resulting audit risk factors are, in general, consistent with those identified through the enterprise risk management process under implementation by management, and arise primarily from:

(a) A complex and relatively atomized programme, implemented by a large number of business units; several of them operate in fragile settings, in collaboration with a large number of implementing partners with varying capacity levels;

(b) More complex humanitarian response activities, in more countries than in past years;

(c) A large reproductive health commodity security programme ('UNFPA Supplies'), undergoing a large scale change management exercise, while continuing to supply a high volume of contraceptives – creating multiple supply-chain management challenges;

(d) Continued dependency on a small number of key donors, compounded by the decision of one Member State to withdraw its funding, and exposure to currency fluctuations;

(e) An increasing proportion of other resources (non-core funding) – reducing programming flexibility, increasing the workload of those business units involved in dealing with these funds, while covering only partially the cost of core management functions; and

(f) Highly decentralized operations, with a sizable and dispersed workforce (including extensive use of consultants), significant local procurement levels and a large number of financial transactions.

39. Twenty-eight business processes and five information and communications technology areas remain assessed as higher audit risk while noting some progress in 2017 in addressing it; key causes therefor are included in brackets.

(a) *Governance*: (i) integrated control framework; management oversight ('i.e., 'second line of defense' controls); ERM, including fraud risk management (control and capacity gaps) – with progress made in developing policies and tools; (ii) management of corporate priorities; and (iii) structure and personnel alignment, duly noting the improvement in 2017 therein; and workforce and succession planning (capacity constraints, including prolonged vacancies in key positions); (iv) resource mobilization (changes in funding landscape); and (v) business continuity (emerging; e.g. testing of plans);

(b) *Programme management*: (i) programme design; and governance and oversight (gaps in results frameworks and planned policy changes); (ii) workplan, programme financial management, and monitoring (control gaps, with improvements noted in available tools yet uneven usage); (iii) humanitarian response (control and capacity gaps; increase in humanitarian interventions, and challenges affecting them; while noting improvements in monitoring); (iv) implementing partner capacity assessments; advances and expense management; and assurance mechanisms (process and system changes); (v) supply-chain management (control and capacity gaps, with improvement in 'second line of defense'); (vi) development and costing of funding proposals (larger proportion of non-core funding) and (vii) trust-fund management (process changes and improved transparency with the dedicated management unit);

(c) *Operations management*: (i) human resources strategy implementation, recruitment, and contract personnel management (process gaps and changes; with improvement in key position vacancy rates and contract personnel management); (ii) field office procurement (operating effectiveness gaps); (iii) humanitarian procurement (risks inherent to using emergency procurement procedures, in a larger number of countries); (iv) commitment control (control gaps); (v) project cash advances (growing use of third-party payment systems with better advance management); and (vi) value-added tax management (control gaps);

(d) *Information and communication technology*: (i) governance of process, project, and data; service delivery (control and capacity gaps which are improving with the ICT transformation project); (ii) business applications (gaps in functionality and controls in the enterprise resource planning and other ICT systems – increasing workload and non-compliance risk, and limiting information available for monitoring and management oversight); (iii) cloud dependency (new risk; managing third-party risk); and

(e) *New areas:* (i) responding to sexual exploitation and abuse in the UNFPA programmatic context and at system-wide level; and (ii) responding to situations of harassment (both and sexual) and of abuse of authority; both with the necessary due process, competency, swiftness and transparency.

B. Key internal audit and investigation findings

40. Good practices, and improvement opportunities revealed through internal audit and investigation work in 2017 are consistent with those identified and reported in previous years, as well as those included by the United Nations Board of Auditors in its 2017 management letter. They are presented below, and a tabular overview included in Annex 3.

Business units

(i) Office governance

41. Improvements in annual plans continued, with several offices preparing clear and relevant annual management plans, completed on time. Several offices effectively established decentralized structures for better implementation and monitoring of programme activities; and for those concerned, many implemented well-defined mechanisms for coordination and follow-up of humanitarian response activities. Regular meetings of staff and management, for information sharing, programme implementation monitoring and coordination of programmatic and operational activities, were observed again in 2017.

42. To continue on the path of improvement, the integration of the strategic information system with the global programming system would allow a more comprehensive and integrated monitoring, so that plans consistently reflect all relevant outputs (including their definition); the corresponding indicators, baselines, targets; and incorporate more detailed milestones.

43. Regarding the alignment of staffing with programme delivery and operational needs, the audits conducted disclosed a need to improve on the approval and implementation of organizational structure and alignment reviews – the issue was addressed, with multiple exercises approved before year-end, as was noted during recommendation follow-up. The vacancy rate for senior office positions declined; yet there were instances where vacancies were not promptly filled – in particular, at offices managing large or complex programmes, or operating in fragile contexts – over which headquarters and regional support and oversight should be strengthened.

44. Regarding ERM, the tool was enhanced, and the risk response process was started towards the latter part of the year; hence, its effectiveness will only be assessed in future audits. At the same time, the risk assessment remains an area needing improvement, particularly in (a) identifying and assessing all (relevant) risks impacting an office; and (b) defining (and implementing) appropriate risk mitigation actions.

(ii) Programme management

a. Programme planning, implementation and monitoring

45. Several offices introduced practices to minimize the risks associated with handling cash payments – these practices should be shared for learning throughout the organization. Many offices improved in their programme management practices.

46. At the same time, as mentioned in past years, to allow a more effective planning and implementation of programme activities and better tracking of progress towards achieving expected programme results requires more comprehensive programme results and resources frameworks to be developed, supplementing country and regional programme documents. Such frameworks should better outline: (a) programme outputs; (b) indicators and related baselines and targets; (c) milestones (i.e., intermediate results); and (d) resource estimates, with disaggregated information for all periods within the programme cycle. The previously mentioned integration of the Strategic Information System (SIS) with the Global Programming System (GPS), as part of the ICT transformation efforts, would help in this regard.

47. Workplan management saw some enhancements, yet should be further strengthened, as mentioned in past years. Budgets and alignment with agreements signed with implementing partners are under increased scrutiny. A more consistent and rigorous monitoring of workplan implementation and results achieved is still needed. The introduction of the "second generation" Global Programming System (GPS II) in late 2017 is expected to improve budgeting and monitoring of funds, particularly as regards programme financial management controls – including funds transferred to implementing partners. However, this requires discipline to maintain it up-to-date and aligned with the ERP system – hence, to be a living and continuously used management tool at country, regional and global levels. The full impact of this "second generation" tool will be reviewed in upcoming audits.

b. National execution

48. The revised harmonized approach to cash transfers (HACT) framework was progressively rolled out with the introduction of assurance plans organization-wide in 2017. The need for more thorough and better documented assessments of the programmatic and financial management capacity of implementing partners was a recurring theme in 2017, together with increased and more comprehensive monitoring. The pattern of fund disbursements – primarily the last two quarters of a year (see annex 5), and the scope of audits concluded in 2017 provided first insights into assurance mechanisms, especially spot-checks (conducted either by, or in combination with, UNFPA staff, outside firms, and other United Nations organizations). To become a fully reliable source of assurance, the process has to mature, in terms of depth, necessary skills (taking into account staff turnover) and documentation. Future audits will provide more insights.

c. Inventory management

49. To increase the availability of reproductive health commodities and limit stock-outs, two areas continued to dominate audit findings (and none was new): (a) needs assessment, leading to procurement planning; and (b) in-country supply-chain management – from customs clearance, to warehousing, to distribution to beneficiaries. Both areas require increased support to programme countries by all stakeholders involved.

50. OAIS noted changes, for instance, the introduction of new inventory management guidelines; in some offices, faster customs clearance; or efforts to improve transparency of in-country distribution. Yet receiving and inspection controls should be more consistently performed and documented; also required are regular monitoring of inventory held by implementing partners as well as tracking the timely distribution and availability of inventory at service delivery points.

d. Management of non-core resources

51. No significant issues were identified in 2017, other than the need to continue to step up coordinated resource mobilization efforts.

(iii) Operations management

a. Human resources

52. Mixed compliance with the policies and procedures regarding awarding and managing service and individual consultancy contracts was noted; leave management has improved. Fulfilling mandatory training requirements continued to be stressed in 2017.

b Procurement

53. Improvements in procurement planning were mixed. Non-compliance, in some cases significant non-compliance, with procurement procedures at the local level – in the areas of bidding, contract award and contract management – were found, with some not identified and properly addressed in a timely manner. Recurring opportunities to expand the use of long-term agreements at the local level, to increase procurement efficiency and value-for-money, continue to be noticed. The expected introduction of e-procurement as part of the ICT transformation would help strengthen this area.

c. General administration

54. Compliance with travel policies, especially in terms of advance fare purchase, at the local level remained a challenge. The introduction or expansion of the headquarters travel module to field operations would improve transparency. The foreseen inclusion of such module as part of the ICT transformation would help strengthen this area.

d. Financial management

55. Fewer instances of expenses recorded in incorrect account codes (thereby diminishing the overall reliability of programme and financial information) were found. There were also fewer instances of issues on value-added-tax payments and reimbursements.

56. As mentioned in past years, to minimize the risk of transactions executed without appropriate management approval and potentially incurring expenses in excess of available financial resources, financial commitments should be reflected and approved in Atlas in a more timely manner.

57. In addition, the processes and controls over disbursements made through payment services providers, including banks, money transfer operators and mobile telephony companies, remain an area needing strengthening.

(iv) Support to and oversight over country offices (regional offices)

58. OAIS reviewed the hub dedicated to supporting the humanitarian activities of the countries involved in the 'Whole of Syria' response. The hub, one of its kind, is a subset of the Arab States Regional Office and is dedicated to supporting the UNFPA inter-agency efforts in this matter, enhancing the effectiveness of the UNFPA response, in terms of gender-based violence programmatic activities, resource mobilization, communication, and monitoring and evaluation.

59. OAIS found that the hub set-up needed some improvements, in terms of better formalizing its role and its planning and monitoring processes, as well as strengthening its reproductive health component similarly to what was done for gender-based violence. The hub

management of non-core funding was deemed effective, with one recommendation to strengthen its fulfilling donor reporting requirements.

Processes and programmes

60. No process or programme audit was concluded in the period under review.

Information and communication technology

61. The objective of the website governance audit (conducted in two phases) was to review (a) the design and operational effectiveness of processing procedures and internal controls to ensure the integrity, security accuracy, ease of use, and completeness of websites at UNFPA; (b) the sufficiency of the deployment and quality assurance testing process undertaken prior to releasing the new website application into production; (c) the overall adequacy and sufficiency of training and support provided to website users, content authors and administrators; and (d) the general controls related to administrative and privileged access to the website.

62. OAIS noted that all 12 issues and key risks identified have been mitigated or otherwise addressed during the audit, inter alia, with the implementation of a new web application framework and content management system.

Joint audits

63. OAIS participated in three joint audits concluded in 2017. Based on the audit work conducted alongside its own country office audits, OAIS contributed to the consolidated summary report by all internal audit services of organizations, which audited funds received from the South Sudan Common Humanitarian Fund led by the United Nations Development Programme (UNDP), and similarly to the consolidated summary report on the management of activities funded from the Central Emergency Response Fund in Ethiopia led by the World Food Programme (WFP).

64. OAIS also participated in the audit of delivery-as-one in Vietnam led by UNICEF, concluded with a rating of 'partially satisfactory'. Fourteen recommendations were issued to the Resident Coordinator and the United Nations country team on the five pillars of the delivery-as-one framework; five of which were rated as 'high priority' (for 'one leader'; 'one programme' and 'one plan fund'), and nine as 'medium priority'.

VII. Recommendations made and management actions

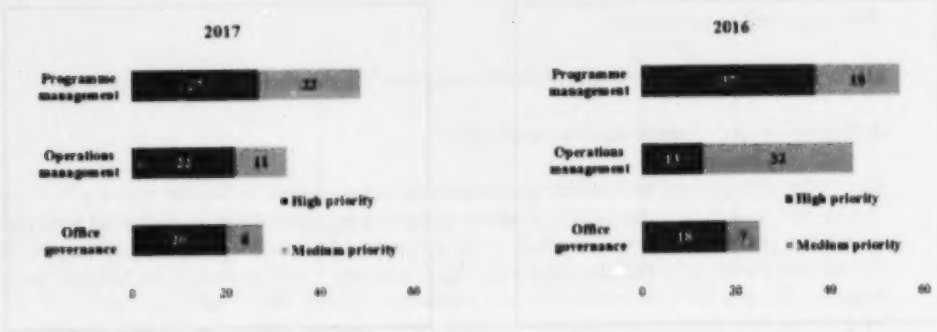
A. Audit recommendations

New recommendations

Field offices

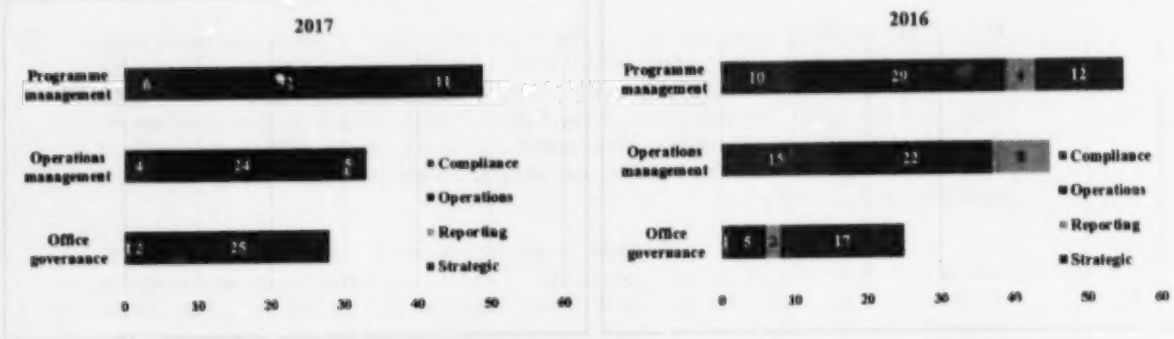
65. Overall, 110 recommendations in relation to field office audits were issued in 2017. Consistent with prior years, 'programme management' continued to account for the larger proportion of recommendations (45 per cent), followed by 'operations management'. Of the 110 recommendations, 69 (63 per cent) were rated 'high priority', an increase compared to 2016 (54 per cent); the remaining 41 (37 per cent) were rated 'medium priority' (see Figure 2).

Figure 2
Country office audit recommendations – by priority level



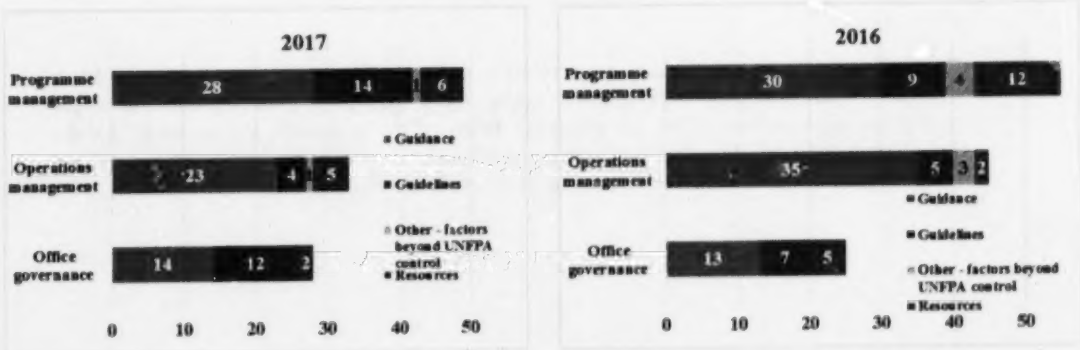
66. Recommendations relate predominantly to 'operations' and 'strategic' objective categories – 58 (53 per cent) and 41 (37 per cent) recommendations, respectively, with fewer incidences of 'compliance' (10 per cent versus 21 per cent in 2016) and none of 'reporting'-related matters (see Figure 3).

Figure 3
Country office recommendations – by type



67. Insufficient 'guidance' (inadequate or insufficient supervisory controls) remained the main root cause for issues identified (65 recommendations; 59 per cent), followed by an increase regarding inadequate 'guidelines' (lack of or inadequate policies) with 30 recommendations (27 per cent); and 'resources' (human or financial) – 13 recommendations (12 per cent) (see Figure 4).

Figure 4
Country office audit recommendations – by cause



Information technology

68. As mentioned in paragraph 62, all issues and key risks identified during the website governance audit were mitigated or otherwise addressed. Hence, all recommendations were deemed implemented when reviewing all actions undertaken by management prior to finalizing the report.

Outstanding recommendations

69. As shown in Table 7, 112 recommendations[9] remained outstanding as at 31 December 2017, following the closure of 249 recommendations during the year 2017.

Table 7
Status of implementation of audit recommendations by year

Year	Number of reports [b]	Recommendations issued	Outstanding recommendations	
			2016	2017
2010[a]-2014	36	565	12 (2%)	4 (1%)
2015	11	171	69 (40%)	18 (10%)
2016	12	183	158 (87%)	44 (24%)
Subtotal	**59**	**919**	**239 (26%)**	**66 (7%)**
2017	10	122	n.a.	46 (38%)
Total	**69**	**1,041**	**n.a.**	**112 (11%)**
Of which: past their implementation deadline			*134 (56%)*	*72 (64%)*
Due for implementation after 31 December			*105 (44%)*	*40 (36%)*

(a) For 2010, only including the number of reports with outstanding recommendations

(b) Excludes reports and recommendations of joint audits followed by the internal audit service which lead the joint audit.

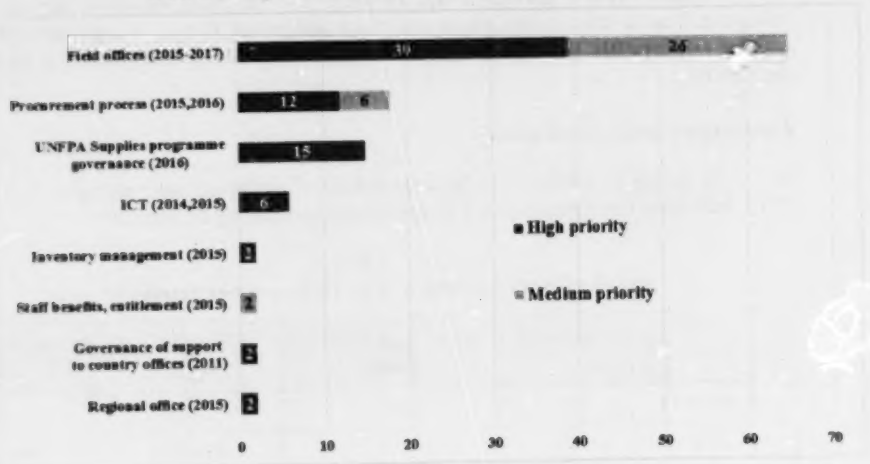
70. Figure 4 provides details on the outstanding recommendations, of which 65 (58 per cent) pertain to field office audits (from 2015 to 2017); 2 (2 per cent) to a regional office audit (2016), and 45 (40 per cent) to process, programme and ICT audits.

71. Of the 65 outstanding field office recommendations, 29 correspond to 'programme management' (including 10 related to 'inventory management'; 10 to 'national execution'; 6 to 'programme planning and implementation'; and 3 to 'management of non-core funding'); 21 to 'office governance' (with 12 related to 'organizational structure and staffing'; 6 related to 'risk management' and 3 to 'office management'); and 15 to 'operations management' (of which 7 refer to 'procurement'; 4 to 'financial management' and 3 to 'human resources').

72. Out of the 45 outstanding process or programme-related recommendations, 18 correspond to procurement audits completed in 2015 and 2016; 15 to the 2016 audit of the 'governance and strategic management of the UNFPA Supplies' programme; another 10 regarding processes and ICT; and 2 for a regional office.

[9] Excluding the status of implementation of joint audit recommendations, which is reported by the relevant internal audit services that led the joint audit.

Figure 5
Outstanding recommendations as at 31 December 2017

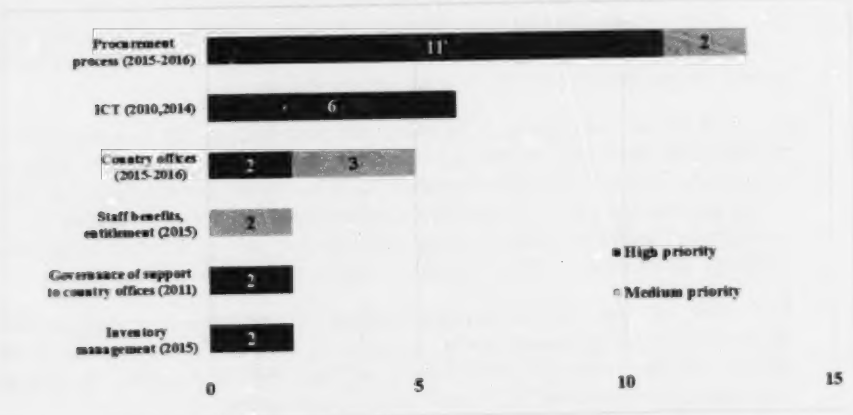


Acceptance of risk by management

73. There were no recommendations closed in 2017 based on management's acceptance of the risk of not implementing them.

Recommendations unresolved for 18 months or more

Figure 6
Recommendations unresolved for 18 months or more



74. The review of implementation recommendation showed progress, compared to 2016, in particular regarding inventory management. Of the 112 outstanding recommendations as at 31 December 2017, 30 remained unresolved for 18 months or more (see Figure 6 and annex 4), compared to 50 recommendations in 2016. Of the 30 recommendations, 13 correspond to procurement processes; 6 to various ICT processes, requiring a combination of procedure improvements (e.g. the procurement procedures revision or the development of a more robust ICT internal control framework) or the ICT transformation; 5 to two country offices (e.g. related to decentralized offices, budget and monitoring); and the remaining 6 to three organization-wide processes (related to programme implementation and human resources in particular).

B. Disciplinary measures or sanctions taken after investigations

75. Disciplinary or administrative action or sanction was initiated in two of the 14 cases which were substantiated in 2017, with management action pending for the remaining 12.[10]

76. Of the 15 (out of 19) cases substantiated in 2016 for which action was pending at the beginning of 2017, by year-end, management had imposed sanctions or administrative measures in six cases; four cases are about to be referred to national authorities; two were closed by the vendor review committee; and three remained outstanding.

77. Of the 13 cases substantiated in 2015, by year-end 2017, management had taken action for 11 of them, with the remaining two referred to national authorities and pending vendor review committee.

78. Of the 14 cases substantiated in 2014, two remain pending with the vendor review committee.

VIII. Advisory activities

79. The external and internal environment in which UNFPA operates continues to change rapidly; the rationale elaborated in DP/FPA/2015/7 (paragraph 74) remained valid in 2017.

80. There continue to be a high demand for OAIS advisory services and is primarily ad-hoc. Several requests required significant investment, especially by OAIS management. This continued to have a disruptive 'domino-effect' on other OAIS activities although, due to its capacity, OAIS continued to limit drastically its involvement to the following:

(a) *Review of audit and investigation clauses in financing agreements*. OAIS reviewed multiple versions of the 28 agreements brought to its attention in 2017 (23 in 2016; 16 in 2015); most continue to require responses within very short timeframes;

(b) *Assessments of audit and investigation functions*. OAIS continued to participate in several reviews conducted by Member States and donors at the local and corporate levels for which its input was sought, while responding to their questions throughout the year;

(c) *Policies*. OAIS declined to review policies except the fraud policy revision, which it actively supported (one in 2017 versus 18 in 2016; 10 in 2015; 22 in 2014);

(d) *Dealing with sexual exploitation and abuse and sexual harassment:* OAIS provided in 2017 extensive support to management regarding policies, protocols and internal coordination in these areas. OAIS has also been very active in the corresponding inter-agency fora, e.g. actively supporting the activities of the Office of the Special Coordinator as well as of the Inter Agency Standing Committee, in particular on defining protocols and processes, on reporting mechanisms and information (including publicly sharing thereof), on handling allegations an1 their investigations. This is an area in which OAIS will continue to support on in 2018 to the extent of its resources (see further paragraph 83);

(e) *Support to UNFPA senior management*. This includes, but is not limited to, OAIS participation as an observer in various steering or working committees; and

(f) *General support* to UNFPA personnel.

[10] These were the figures at the time of writing this report. Details for 2017 are in Annex 6, for previous years, in Annex 7.

IX. Collaboration within the United Nations system

A. Internal audit

81. In 2017, OAIS continued its active involvement in inter-agency activities and meetings on internal audit and in joint audits. OAIS participated in the sharing of practices and experience among the internal audit services of the United Nations Organizations, Multilateral Financial Institutions and Other Associated Intergovernmental Organizations (UN-RIAS and RIAS).

82. In 2017, OAIS was once more the UN-RIAS Vice-Chair for joint audits and focal point for United Nations Development Group (UNDG) interactions, and was actively involved in improving the process for gathering and analysing data for pooled funds and the United Nations system. OAIS became the UN-RIAS Chair for 2017-2018. Further, OAIS participated in various fora of exchange of information with other multilateral actors, e.g. on audit and fraud.

B. Investigation

83. In 2017, OAIS continued to collaborate closely with the United Nations Representatives of Investigative Services (UN-RIS). OAIS was active in inter-agency investigation activities, in the meetings of UN-RIS and the Conference of International Investigators, inter alia, in the working groups on investigating allegations of sexual exploitation and abuse (see also paragraph 80 (d) above), and on investigating aid provided for the 'Whole of Syria' response.

C. Joint Inspection Unit

84. OAIS continued its role as the UNFPA focal point for the Joint Inspection Unit. OAIS liaised on about 20 reviews with UNFPA units, the Joint Inspection Unit itself and the secretariat of the Chief Executives Board for Coordination.

85. OAIS continued to note, with concern, the significantly increasing workload required to fulfil the focal point role for UNFPA. It affected in particular the follow-up of recommendations.

X. Overall conclusion and next steps

86. OAIS wishes to thank the late and the current Executive Directors, senior management, the Executive Board and the Audit Advisory Committee for their continuous support, which has enabled OAIS to carry out its mandate as successfully as possible in 2017.

87. Through its various actions in response to OAIS reports and advice, UNFPA management continued to demonstrate in 2017 its commitment to increasing the effectiveness of the governance, risk management and control processes at UNFPA.

88. Looking ahead, the main challenge for OAIS remains, more acutely than ever, the alignment of increasing expectations with available resources.

89. While OAIS appreciates the increased funding in 2017, the mismatch between "supply" – the resources available to the Office, given the risk appetite at UNFPA – and "demand" for OAIS services – for internal audit (internal audit cycle coverage; expectation of audit coverage at the level of donor-funded projects or programmes); investigation (prompt handling, while respecting due process, of cases increasing in types, numbers and complexity, including those of harassment and abuse of authority, and of sexual exploitation and abuse); increasing reporting requirements to donors (particularly on investigations); requests for advisory services and a higher demand related to the Joint Inspection Unit – has been widening in 2017. As

already noted in previous years, this mismatch makes OAIS present a heightened fiduciary and reputation risk for UNFPA.

90. OAIS will continue its commitment to providing high-quality services, to the extent of the resources at its disposal.

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Report of the Director of the Office of Audit and Investigation Services on UNFPA internal audit and investigation activities in 2017

Addendum

Opinion on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control

Summary

In the opinion of the Director of the Office of Audit and Investigation Services, based on the scope of work undertaken, the adequacy and effectiveness of the UNFPA governance, risk management and internal control processes was rated as *'some improvement needed'* – which means that these processes were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. None of the issues identified were, however, assessed as having the potential to seriously compromise that achievement.

I. Opinion

1. The opinion on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control is provided in accordance with Executive Board decision 2015/13 of June 2015.

2. In the opinion of the Director of the Office of Audit and Investigation Services (OAIS), based on the scope of work undertaken, the adequacy and effectiveness of the UNFPA governance, risk management and internal control processes was *'some improvement needed'* – which means that these processes were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. None of the issues identified were, however, assessed as having the potential to seriously compromise that achievement.

II. UNFPA management responsibilities

3. UNFPA management is responsible for designing and maintaining the governance, risk management and internal control processes and ensuring that these operate effectively. The responsibility of OAIS is limited to independently assess the adequacy and effectiveness of these processes.

III. Criteria used for assessing the adequacy and effectiveness of the governance, risk management and internal control processes

4. OAIS utilized the 2013 internal control framework and the 2014 enterprise risk management integrated framework of the Committee of Sponsoring Organizations of the Treadway Commission – adopted by UNFPA as the basis for its internal control framework and enterprise risk management process, respectively – as the main criteria for assessing the adequacy and effectiveness of the governance, risk management and internal control processes to provide reasonable assurance on the achievement of the UNFPA objectives in the following categories:

(a) *Strategy*: fulfilment of the UNFPA mandate and achievement of its strategic plan goals;

(b) *Operations*: effectiveness and efficiency of UNFPA operations, including (i) operational and financial performance goals; (ii) conformity of expenses with the purpose for which funds were allocated; and (iii) safeguarding of assets against loss;

(c) *Reporting*: reliability of UNFPA internal and external (i) financial reporting, and (ii) non-financial reporting; and

(d) *Compliance*: adherence to the UNFPA regulatory framework as established in its legislative mandate, rules, regulations, policies and procedures.

IV. Scope of audit work and additional sources of evidence considered for formulating the opinion

5. The opinion is based on (a) OAIS audits of field offices and of information and communications technology components; and to the extent relevant, (b) joint audits of joint United Nations activities, concluded between 1 January and 31 December 2017, as detailed in the Report of the Director of the Office of Audit and Investigation Services on UNFPA internal audit and investigation activities in 2017 (DP/FPA/2018/6, sections IV and VI, and Annex 2).

6. All OAIS audits were conducted in accordance with the applicable policies by which it has to abide – the oversight policy, the financial rules and regulations, the staff rules and regulations, and the International Standards for the Professional Practice of Internal Auditing.[1]

7. To formulate its opinion, OAIS considered, as appropriate, other sources of evidence, including: (a) cumulative audit knowledge stemming from OAIS audits completed in previous years, as considered relevant; (b) outcome of the 2017 audit risk assessment, undertaken to support the development of the 2018 audit plan; (c) status of implementation of internal audit recommendations as at 31 December 2017; (d) systemic issues noted by investigations completed in 2017; (e) audit findings reported by the United Nations Board of Auditors in its management letter on the interim 2017 audit of UNFPA, dated 2 February 2018; (f) results of national execution audits commissioned by management and completed in 2017; (g) results of control self-assessments completed by numerous country and regional offices as well as certain headquarters business units in January 2018; (h) third-party assurance reports obtained by management regarding outsourced vendor management, and the hosting and management of the messaging and collaboration systems; and (i) results of the strategic and fraud risk assessments completed as part of the enterprise risk management process under implementation by management, to the extent available when preparing this opinion.

8. The audits and some additional sources of evidence considered for purposes of formulating the opinion refer to activities undertaken by UNFPA primarily in 2016 or in previous years, and the first quarter of 2017. Additional matters could have been identified that may have impacted the opinion had additional audit work been performed in 2017 and/or in previous years.

9. In 2017, as in previous years, UNFPA outsourced significant functions to other United Nations system organizations, including: (a) selected human resources management activities; (b) staff and service contract holder payroll preparation and payment; (c) payment processing; (d) treasury management; and (e) hosting and management of the enterprise resource planning system. UNFPA management relied on the management and fiduciary oversight activities undertaken by the organizations to which these functions were outsourced, as regards the adequacy and effectiveness of the related governance, risk management and internal control processes. These outsourced functions are not covered by the OAIS opinion.

10. In addition, UNFPA outsources numerous information and communications technology functions, including the hosting of significant systems (email, storage), to third-party service providers. UNFPA obtained third-party assurance reports on the adequacy and effectiveness of the governance, risk management and internal control processes related to firewall and vulnerability management, technology infrastructure maintenance and website hosting services. These, too, are not covered by the OAIS opinion.

V. Process followed for aggregating audit results and assessing issues

11. Results of the audits undertaken by OAIS and the additional evidence considered to formulate the opinion were aggregated by audit area and process, using the framework previously developed for the audit risk assessment and for reporting key findings of internal audit and investigation activities.

[1] Promulgated by the Institute of Internal Auditors (IIA).

12. The potential impact of the issues identified on the achievement of the relevant UNFPA objectives in the categories detailed in paragraph 4 above was assessed, taking in consideration: (a) the ratings assigned to the entities, processes, programmes and areas covered by the audits, weighted based on the value of audited expenses; (b) the nature and materiality of the issues identified, individually and in the aggregate; (c) the root causes and pervasiveness of the issues identified; (d) the risk profile, as determined, based on the outcome of the OAIS audit risk assessment, and the materiality of the processes affected; (e) the degree to which internal audit recommendations related to these processes had been implemented; and (f) the adequacy and effectiveness of compensating controls operating at headquarters or at the regional office level that could contribute to mitigating the impact of the issues found.

VI. Basis for the opinion formulated

13. OAIS assessed the adequacy and effectiveness of the UNFPA governance, risk management and internal control processes as 'some improvement needed' – which means that these processes were adequately designed and operating effectively but needed some improvement to provide reasonable assurance on the achievement of objectives in the categories detailed in paragraph 4 above.

14. The key improvement areas leading to this opinion are described below:

A. Governance and risk management

Integrated control framework

15. The development of the comprehensive and integrated control framework needs to be finalized, covering all relevant governance, programme and operations management processes – including information and communications technology – and clearly outlining the key controls required to minimize risks identified for each process, the related implementation steps and the responsibility for operating them.

16. Once complete, such a framework will provide a useful tool to allow management to enhance awareness about, and training on, internal control requirements (supplementing the efforts already under way, such as a periodic control self-assessment survey); better enforce accountability for internal controls; and more promptly and effectively complete the planned review and update of the policies and procedures manual, under way at the time of developing the present opinion.

Enterprise risk management

17. Management continued to introduce changes to the enterprise risk management process in 2017, particularly in the functionality of the Strategic Information System module (*'myRisks'*) developed to document strategic and fraud risk assessments undertaken by field offices and headquarters units. Those changes focused on the risk response phase, which includes the review and analysis of all risk factors by the risk treatment working groups and the development of the global mitigation library containing standard mitigation action items for all identified risk factors.

18. The progress made so far is acknowledged. More is needed for the process to mature further, building on and enhancing the design and operating effectiveness of the corporate tools. This requires bridging the skill-set gaps that limit the relevance and effectiveness of assessments completed by business units. The activities planned in the area of capacity building, training and awareness raising should be fully implemented, including the preparation and implementation of a comprehensive ERM policy.

19. Enhancements to the process planned in 2018 are welcomed, including the use of a differentiated risk management approach for specific contexts or programmes; an automated risk rating based on probability and impact considerations; and a more stringent centralized quality assurance process.

Organizational structure and staffing

(i) Business unit capacity

20. In 2017, timeliness of approval and implementation of business unit organizational structure and personnel alignment reviews improved. Audits continued, nevertheless, to reveal individual cases of delays, significantly affecting business unit capacity and skill sets. The streamlining of the approval process should continue, and effective support should be provided to those business units undergoing realignment exercises in terms of change management, to ensure that capabilities remain aligned to programme delivery and operational needs.

(ii) Vacancies in key positions

21. Management continued to take action to lower the vacancy rates for key management positions. Audits continued, nevertheless, to reveal individual instances of offices delivering large and/or complex programmes, where key vacancies were not filled promptly – depriving these offices from key expertise or sustained leadership and/or oversight.

Headquarters and regional office support and oversight

22. Managerial oversight controls (i.e., "second line of defense") at headquarters and regional offices should continue to be strengthened – with clear terms of reference and guidelines regarding the nature, scope and frequency of management oversight, developing appropriate managerial reports and providing sufficient human and financial resources.

23. To minimize the risk arising from gaps in management leadership and oversight, headquarters and regional office support to, and oversight over, business units affected by prolonged vacancies should continue to be increased until the positions are filled.

B. Internal control

Programme management

(i) Programme planning and implementation

a. Results-based management

24. Comprehensive programme results and resource frameworks, supplementing country, regional and corporate programme documents should continue to be strengthened, in terms of: (a) programme outputs; (b) indicators and related baselines and targets; (c) milestones (i.e., intermediate results); and (d) resource estimates, with disaggregated information for all periods within the programme cycle.

25. These frameworks would allow a more effective planning and implementation of UNFPA programme activities and better tracking of progress towards achieving expected programme results. This would also complement the United Nations Development Assistance Framework or the United Nations Development Assistance Plan – results and resources matrices that are at a high level of aggregation.

26. Quality assurance at regional office level remain a challenge in some instances. Management put in place some intermediary measures, and indicated that it is considering mandating the use of new programme instruments, such as project or output documents, to help ensure more effective programme planning and implementation as well as tracking of programme results.

b. Workplan management

27. Workplan management continues to improve with the enhanced version of the global programming system, in particular, with the introduction of the electronic submission of funding authorization and certificate of expenditure (FACE) forms. Further improvements stem from the regular annual workplan reviews undertaken by the Programme Division; the division widely disseminates the results of the reviews and follows up with country and regional offices.

28. Process enhancements are still required, particularly regarding: (a) timeliness of workplan finalization and their level of details; (b) regular updating of the workplans, to reflect significant changes to planned activities, budgets or resources on an ongoing basis; (c) better rationalization and documentation of workplan budgets; and (d) better alignment of the signed workplans with those included in the global programming system workplan 'snapshots'.

29. The overall effectiveness of the workplan management process should be further strengthened, remedying deficiencies in the design of global programming application controls in the areas of: (a) segregation of duties between workplan development and maintenance processes; (b) workplan budget development and approval; and (c) workplan generation and approval.

c. Programme financial management controls

30. Programme financial management procedures and controls have improved in some areas and continue to require further strengthening, with a rigour similar to that currently applied over the institutional budget, including the development of detailed and supported workplan budgets: by expense category; periodic review of expenses incurred; and regular budget-to-actual reconciliations, by activity and expense category. Also, enhanced controls should be applied to ensure appropriate costing of funding proposals, project documents and workplans, to reflect all direct and indirect costs necessary to implement the related activities, and to address the cross-subsidization of core resources and programme activities funded from non-core resources.

31. The future integration of the Strategic Information System with the Global Programming System, as part of the ICT transformation, should be actively pursued to help address the points mentioned in (a) to (c) above.

d. Humanitarian response

32. Programme and operational bottlenecks persist in the area of humanitarian response activities; further enhancements are needed in this area. This includes the operationalization of the funding mechanisms mandated by the Executive Board to bridge funding shortfalls; access to flexible funding to sustain response efforts; and enhancing surge capability and alignment of human resource capacity, to ensure a more timely and effective delivery in humanitarian contexts.

(ii) National execution

a. Implementing partner capacity

33. Capacity assessments reviewed in 2017 continue to show the need for a better and more thorough documentation of the programmatic and financial management capacity of implementing partners, including their fraud prevention controls, particularly in humanitarian and fragile contexts – a matter also raised by the Board of Auditors. Future assessments should also reflect new requirements, for instance, on sexual exploitation and abuse of beneficiaries. Pro-active implementing-partner capacity-building measures need to be put into place and regularly followed up.

b. Financial monitoring of implementing partners

34. Financial monitoring of implementing partners, to ensure that funds provided are used for the intended purposes, in line with the approved workplans and budgets, is an area needing continuous attention.

35. The first full implementation year of the revised harmonized approach to cash transfers (HACT) framework was 2017. The scope and timing of OAIS audits finalized during 2017 provided coverage of spot-checks conducted early in the year. These results, combined with those of the Board of Auditors, show the need for further and continuous improvement of process and methodology, as well as enhancing both the capacity and skillsets of the personnel involved.

(iii) Supply-chain management

36. As mentioned in the past, increased support to programme countries, together with other relevant programme stakeholders, to address gaps in supply-chain management systems that may reduce availability of reproductive health commodities and originate stock-outs continue to be required. Receiving and inspection controls of incoming goods should be more consistently performed and documented. It also remains necessary to ensure regular monitoring of inventory of reproductive health commodities held by implementing partners, as well as tracking its timely distribution and availability at service delivery points.

37. Implementation of more effective and integrated supply-chain management organizational arrangements, processes and systems – from procurement to the 'last mile' – is a work-in-progress that needs to be completed in order to reap all the benefits from these improvements.

Operations management

(i) Human resources management

38. The management of personnel engaged under service contracts has improved, being more transparent and rigorous. Other activities, such as contract issuance, continue to be managed manually, and some level of deviation from the requirements of the 2014 policy on service contracts was noted on several occasions.

39. Progress was noted in the management of individual consultancy contracts through the development of a centralized registration tool, rolled out globally in 2017, albeit with limited integration with the ERP system. Contract award and consultancy fee calculation and payment continue to be managed manually, and some level of deviation from the requirements of the 2015 policy on individual consultants was observed.

40. Further, limited integration of the corporate and regional consultant rosters, for both service contracts and individual consultants, still require management attention.

(ii) Procurement

41. Procurement procedures are adequately designed and operate effectively for centralized procurement activities undertaken by the procurement services branch, which account for approximately half of total procurement at UNFPA. Instances of non-compliance with procurement procedures continued to be found on several occasions at country office level, particularly as regards tendering and contract award.

42. Second line of defense controls improved in 2017; these require further strengthening to address the risks originating from non-compliance with procurement procedures, as outlined paragraph 41 above, including the introduction of e-procurement at country level, expected as part of the ICT transformation

(iii) Financial management

43. Some instances of miscoded expenses in the account were identified. However, major improvements in the second line of defence controls implemented at headquarters level were noted, thus significantly mitigating the impact of this issue for financial reporting purposes.

44. To minimize the risks of transactions executed without appropriate management approval and potentially incurring expenses in excess of available financial resources, financial commitments should be reflected and approved in Atlas in a more timely manner, through issuance of requisitions or purchase orders prior to decisions to procure goods and services or reimburse expenses are communicated to vendors or implementing partners.

(iv) Information and communication technology

45. Major progress was noted with a number of initiatives and changes introduced as part of the ongoing ICT transformation project, in particular regarding the governance of information and communications technology, and resource management. When fully implemented in 2018, the module on strengthening the governance and execution of technology projects is expected to provide additional assurance over the design and functioning of controls in this area.

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Addendum

Annual report of the Audit Advisory Committee, 2017

Annual report of the Audit Advisory Committee

2017

United Nations Population Fund

Audit Advisory Committee (AAC)

2017 annual report to the Executive Director

I. Purpose

1. This report is addressed to the Executive Director of UNFPA, and provides a summary of the activities and advice of the Audit Advisory Committee ("the Committee") of UNFPA during 2017. It is submitted pursuant to item 14 of its terms of reference approved in 2014, and in accordance with paragraph 25 (c) of section IV, subsection I of the UNFPA revised oversight policy.

II. Audit Advisory Committee activities in 2017

2. *Members of the Audit Advisory Committee*. Committee members are appointed for three years, renewable once. Committee members possess expertise in risk management, internal control, oversight, governance, financial management and reporting, ethics, investigation, internal audit, evaluation, and development and programme matters. The members of the Committee who joined in 2017 were Mr. Ariel Fiszbein (Argentina), Mr. Edward Ouko (Kenya), Ms. Enery Quinones (United Kingdom) and Mr. Louis Wong (Australia). After the resignation of Ms. Mary Ann Wyrsch (USA) early in the year, the seat remained vacant through 2017, with the intention to fill the vacancy in 2018. Ms. Quinones was elected Chairperson of the Committee in June 2017. All Committee members are external to UNFPA, and are independent of its management.

3. *Meetings*. The Committee held its inaugural meeting during 21-24 March 2017; it was devoted to an induction of the new Committee members to UNFPA, its mandate, structure and activities. During the meeting, the Committee also held a private video conference with Mr. Verasak Liengsririwat, former member and Chairperson of the Committee for 2016. Two further meetings were held during 19-21 June and 1-3 November 2017. Individuals invited to relevant sections of the in-person meetings included, among others: the Deputy Executive Director (Management); the Deputy Executive Director (Programme); programme and operational senior management; the Director, Office of Audit and Investigation Services (OAIS); the Director, Evaluation Office; the Director, Division for Management Services; the Ethics Adviser; the Legal Advisor and the representatives of the Board of Auditors. The Committee also had private meetings with the Director, OAIS; the Director, Evaluation Office; the Ethics Adviser; and representatives of the Board of Auditors.

4. To allow members of the Executive Board to have the opportunity to ask questions on the report of the Committee for the year 2016, Mr. Liengsririwat, as Chairman of the Committee for 2016, participated in May 2017 via video conference in the informal meeting of the Executive Board on the UNFPA audit and investigation activities for the year 2016.

5. *Terms of reference*. The Committee members reviewed its terms of reference, which had been last approved in November 2014. As a result thereof, the Committee proposed to change its name to 'Oversight Advisory Committee' to reflect better its wide-ranging mandate. Further, the proposal (a) refers to the revised UNFPA oversight policy approved by the Executive Board in January 2015, after the last amendment of the terms of reference; (b) more clearly reflects, and clarifies the interactions that the Committee has with some offices or new internal bodies, e.g. the Ethics Office, the Evaluation Office, the vendor sanction committee; (c) incorporates the changed role regarding the Committee's involvement in the financial statements review. The wording was also amended to provide additional clarity, where necessary. The proposed changes were reviewed by the Legal Advisor, and the Executive Director approved the revised terms of reference on 26 January

2018, in line with paragraph 60 of the revised UNFPA oversight policy. In turn, the name change of the Committee will be reflected in the next proposed amendment of the oversight policy to the Executive Board.

6. *Reporting*. The Committee prepared minutes for each of its meetings, provided advice based on the deliberations, and briefed the Executive Director, former and present, as well as the Acting Executive Director, on the outcome of the meetings.

7. *Recommendations*. The Committee made recommendations and suggestions to UNFPA management during its meetings and followed up on the implementation thereof.

8. *Annual assessment of the effectiveness of the Committee*. The Committee did not undertake an annual assessment of its effectiveness in 2017, in view of its entirely new composition. The annual self-assessment will be carried out in 2018.

III. Key Messages and Challenges

9. In light of recent reports concerning sexual exploitation in international aid organizations, the Committee wishes to draw attention to the urgent need for UNFPA to have adequate resources to investigate allegations of sexual exploitation and abuse. For example, the report *Voices from Syria 2018*, presenting the assessment on gender-based violence in the country, raises concerns that aid was being exchanged for sex in some parts of the country. On a general note, the possibility of abuse always exists, and UNFPA beneficiaries as well as its donors and stakeholders deserve assurances that the organization has taken effective measures to combat sexual exploitation and more broadly to honour its commitment to provide protection from sexual exploitation and abuse.

10. The Committee is aware that 2017 had been an extremely challenging year for UNFPA. The untimely demise of the former, highly respected Executive Director, Dr. Babatunde Osotimehin, coinciding with the comprehensive United Nations reform agenda of the Secretary-General, as well as the decision by a Member State (the United States of America) to de-fund the organization, put an inordinate amount of strain on the fund. In this difficult situation, the Committee acknowledges and commends the organization for the approval of its strategic plan and its integrated budget for 2018-2021, by the Executive Board at its second regular session in September 2017, and the way the organization has continued to deliver on its mandate.

11. *Funding situation*. In this context, UNFPA has made commendable efforts to address the overall funding situation and to strike an optimal balance between core and non-core funding. The UNFPA management paper on "The Case for Core" is a good attempt to mobilize more core funding while, at the same time, maintaining its resource mobilization strategy to seek new donor funds, including from the private sector and civil society.

12. *Change management*. The Committee followed the progress made on the comprehensive resources review and appreciated the detailed briefings thereon provided by the Deputy Executive Director, Management at each meeting of the Committee. The Committee recognizes the challenges in finding ways to achieve greater efficiency and effectiveness. At the end of the year, the Committee was yet to have the opportunity to review the final outcome of the comprehensive resources review – to which it looked forward – including what impact the broader United Nations reform initiative of the Secretary General would have on UNFPA efforts. The Committee noted that UNFPA management had set up a change management steering committee to coordinate all change-related efforts and activities, including the Secretary General's reform agenda, so as to achieve maximum benefits and avoid duplication of efforts. The Committee will continue to closely review this coordination and efforts in 2018.

13. *Information and communication technology (ICT)*. The Committee is aware of the vulnerability of an aging, no longer fit-for-purpose ICT environment that presents a major risk to UNFPA. This affects both the organization's ability to adequately manage information and business processes, as well as its capacity to respond to incidents and to the increasing threat of cyberattacks. For this reason, the Committee supported the

organization's decision to include in its proposed integrated budget 2018-2021, the necessary funds for a comprehensive ICT transformation.

14. *Harmonized approach to cash transfers (HACT) framework*. The Committee welcomed the framework and noted the organization's combined use of HACT audits and spot-checks as a way of addressing the risks associated with the transfer of funds to implementing partners and ensuring proper oversight of the relationship with them. The Committee further noted UNFPA management's "Progress Assessment Report", as well as its increasing reliance on spot-checks and its decision to reduce the number of HACT audits. The Committee is of the view that the cost-effectiveness of the HACT framework and, in particular, of the spot checks, should be reviewed at an appropriate time – the need to address this risk having also been highlighted by the United Nations Board of Auditors.

15. *Enterprise risk management (ERM) system, internal control framework, and accountability framework*. These three interrelated areas will continue to be high priority for the Committee. In 2017, the Committee took note of the fact that in implementing the ERM system, management had developed a corporate risk register and improved the documentation of the risk response. The Committee noted that in the last quarter of the year, the risk response groups reviewed all business units' action points with a view to building a library accessible to all risk managers that would evolve into a more customised risk assessment. The Committee considers it imperative that the organization continues these efforts to fully implement the ERM system and to ensure its integration into the internal control framework.

16. Regarding the internal control framework, the Committee was kept abreast of progress made to take stock of business processes and mapping of the second line of defence. The Committee noted that all draft new or revised policies include a section on risk and corresponding controls. The Committee noted the inclusion of an accountability for results framework in the strategic plan, 2018-2021, and continues to recommend that the UNFPA update its 2007 overall accountability framework.

17. *Office of Audit and Investigation Services (OAIS)*. The Committee wishes to call attention to the risks associated with the high vacancy rates for both audit and investigation functions and the very long lead times in filling vacancies. Despite these constraints, the Committee recognized and commended the efforts and achievements of OAIS, as evidenced by the progress made in completing its internal audit and investigation workplans for 2017. The Committee wishes to call attention to the heightened fiduciary and reputational risk to UNFPA resulting from mismatched expectations and resources. The Committee is of the view that the resource limitations of the internal audit and investigation services should be addressed on an urgent basis.

18. *Audit monitoring committee*. The Committee acknowledges that the audit monitoring committee is an excellent vehicle for ensuring timely implementation of outstanding audit recommendations. The Committee urges the audit monitoring committee to continue its efforts, especially as concerns those recommendations addressing high-risk activities.

19. *Evaluation function*. The evaluation function is another cornerstone of the Executive Director's fiduciary oversight responsibilities. The Committee met with the newly appointed Director of the Evaluation Office who presented (a) the progress made against the workplan 2016-2019, as well as (b) the draft evaluation plan 2018-2021 – aligned with the UNFPA strategic plan, 2018-2021 – presented to the Executive Board at its first regular session in 2018. The Committee noted that several programme-level evaluations had been cancelled in 2016 for various reasons, and expressed hope that progress would get back on track. The Committee was informed that an external peer review of the evaluation function would be completed in 2018.

20. *Financial statements and reporting*. The Division for Management Services presented to the Committee the draft UNFPA financial statements and reporting for the year ended 31 December 2016, prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The Committee's opinion was that the preparation of the financial statements and reporting by the Division for Management Services is at a high level of professionalism; it has become a standardized process, with adequate controls,

sound analysis of accounts, and proper follow-up with field offices and other business units.

21. *Vendor review committee.* The vendor review committee is an internal technical administrative body established to make recommendations on possible sanctioning of vendors to the Chief Procurement Officer, who is responsible for the final vendor sanctions decisions. The Committee was briefed on the second-year activities of the vendor review committee. The Committee reiterates its 2016 recommendations to increase the relevance of this body to the entire organization: (a) that the vendor review committee produce an annual report, summarizing its work and including improvements to the procurement process based on lessons learned; and (b) that the membership be expanded with one or more persons external to UNFPA.

22. *United Nations Board of Auditors.* The Committee meet regularly with representatives of the Board of Auditors to discuss (a) the workplans of the Board of Auditors; (b) internal controls; and (c) matters raised by the Board of Auditors. The Committee noted that the Board of Auditors had given an unqualified opinion on the financial statements for 2016 and that it had raised a number of control issues. The Committee also noted that continued efforts are required by management to expedite implementation of the outstanding recommendations of the Board of Auditors.

23. *Ethics office.* In its June 2017 meeting, the Committee had a private meeting with the UNFPA Ethics Adviser. The Committee supports the ethics function in UNFPA, which fosters a culture of integrity and accountability. The Committee is of the view that the ethics function is particularly critical to support the organization's efforts to eradicate sexual exploitation and abuse. The Committee noted the continuous support and importance placed on the ethics function by the Executive Director and the senior management of UNFPA.

IV. Conclusion

24. In 2018, the Committee will continue to follow closely:

(a) The several change initiatives undertaken by the organization as well as the implementation of the United Nations reform launched by the Secretary General;

(b) The UNFPA funding situation;

(c) Further development of enterprise risk management and the linkages between enterprise risk management, the internal control framework and the accountability framework;

(d) The implementation of the HACT framework;

(e) The risks related to information and communication technology, including the ICT transformation;

(f) Developments in addressing sexual exploitation and abuse as well as sexual harassment; including investigation of allegations thereof;

(g) Progress and completion status of the annual workplans of the evaluation function and of OAIS; and

(h) The implementation of audit recommendations.

25. The Committee wishes to thank the Executive Director, the Deputy Executive Directors and senior staff, the staff of OAIS and of the Evaluation Office, the Board of Auditors and other UNFPA management and staff who participated actively in the Committee's activities and cooperated with the Committee in discharging its responsibilities.

United Nations DP/FPA/2018/7

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

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UNFPA – Reports of UNDP, UNFPA and UNOPS Ethics Offices

United Nations Population Fund

Report of the Ethics Office 2017

Summary

This report is submitted to the Executive Board pursuant to paragraph 9 of Executive Board decision 2010/17: Reports of the Ethics Offices of UNDP, UNFPA and UNOPS. In accordance with the Secretary-General's bulletin entitled "United Nations system-wide application of ethics: separately administered organs and programmes" (ST/SGB/2007/11), the report was reviewed by the Ethics Panel of the United Nations at its 100th session on 13 February 2018 and subsequently presented to the UNFPA Executive Director.

The report provides a summary of the activities of the UNFPA Ethics Office during 2017, and describes trends in the mandated areas of its work. It also provides recommendations to management to further strengthen the organizational culture of integrity and compliance.

Elements of a decision

The Executive Board may wish to take note of the present report, comment on the progress of the work of the UNFPA Ethics Office and offer support for the recommendations made to management.

I. Introduction

1. The present report, the tenth since the establishment of the UNFPA Ethics Office in 2008, covers the 2017 calendar year. Pursuant to paragraph 9 of Executive Board decision 2010/17, the report, prepared in accordance with the Secretary-General's bulletin, "United Nations system-wide application of ethics: separately administered organs and programmes" (ST/SGB/2007/11), is submitted to the Executive Board at its annual session in 2018.

2. The UNFPA Ethics Office supports the Executive Director in ensuring that all UNFPA personnel perform their functions consistent with the highest ethical standards required by the Charter of the United Nations, the Standards of Conduct for the International Civil Service, the Staff Regulations and Staff Rules, and UNFPA policies and procedures. The Ethics Office operates on principles of independence, impartiality and confidentiality. Its activities aim to promote an organizational culture based on shared values of integrity, accountability, transparency, professionalism, respect and tolerance.

3. This report describes the key activities undertaken by the Ethics Office in 2017. It also suggests ways to strengthen the organization's ability to maintain the ethical standards necessary for UNFPA to continue to deliver a world where every pregnancy is wanted, every childbirth is safe, and every young person's potential is fulfilled.

II. Activities of the UNFPA Ethics Office

4. As in previous years, the activities of the Ethics Office were undertaken in the following mandated areas of work:

(a) Providing confidential advice and guidance;

(b) Administering the financial disclosure programme;

(c) Taking responsibility for activities assigned to the Ethics Office under the policy for the protection against retaliation;

(d) Developing standards, training and education on ethics issues, and conducting ethics outreach, in coordination with relevant units of UNFPA and with the Ethics Panel of the United Nations (EPUN), to ensure that there is a uniform and consistent application of ethics related issues in the UN system; and

(e) Providing guidance to management to ensure that the Organization's rules, policies, procedures and practices reinforce and promote the highest standards of ethics and integrity required by the Charter of the United Nations and other applicable staff rules and regulations.

5. In furtherance of this mandate, the Ethics Office provided services on 443 occasions in 2017. This represents an increase of 19 percentage points over 2016, and reflects a general trend of increased usage of the services of the Ethics Office by UNFPA personnel.

6. Figure 1 below shows that most of the 443 services provided in 2017 were advisory (280), followed by coherence activities (61) and training-related matters (37). Figure 2 below summarizes the services provided by the Ethics Office over the most recent four-year period, 2014-2017.

Figure 1
Requests for services, by category, in 2017

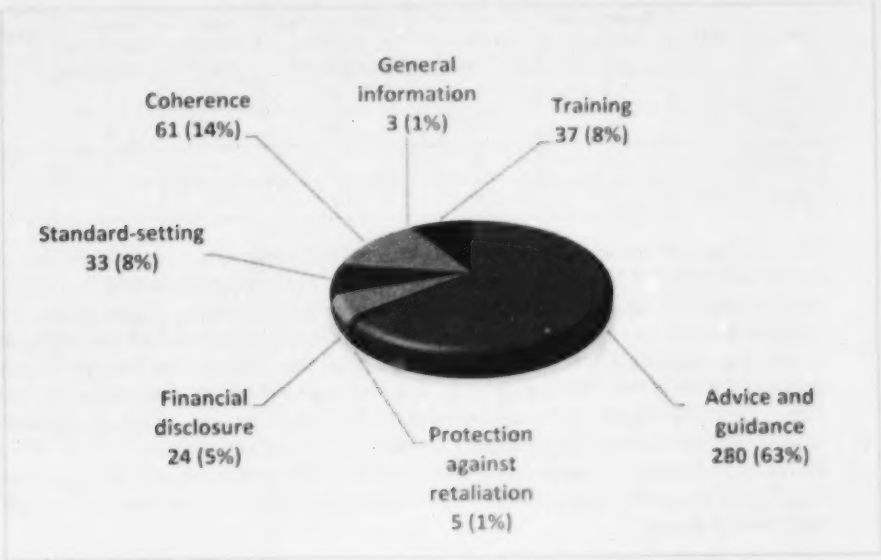

Figure 2
Overview of services, by category, 2014-2017

Year	Advice and guidance	Retaliation	Financial disclosure	Standard-setting	Coherence	General information	Training	Total
2014	104	5	57	9	26	11	6	**218**
2015	226	7	57	23	45	11	21	**390**
2016	237	13	26	25	36	10	25	**372**
2017	280	5	24	33	61	3	37	**443**

A. Advice and guidance

7. The Ethics Office considers the provision of confidential advice and guidance to be foundational to its programme of work. Advice and guidance constituted 63 per cent of the Office's portfolio by volume. Approximately 92 per cent of the requests came from fixed-term staff, while the remainder came from non-staff personnel and other third parties. Staff members thus continue to consult the Ethics Office more often than non-staff personnel, relative to their percentage of overall personnel.

8. Requests for advisory services increased by 18 per cent over 2016. In the Asia Pacific region, where the Ethics Adviser conducted an outreach mission, advice more than doubled (see figure 3, and further information regarding missions in Section D below). Advice increased significantly at headquarters as well.

Figure 3

Requests for ethics advice and guidance, by geographic location, 2014-2017

Year	HQ	Eastern and Southern Africa	Western and Central Africa	Latin America and the Caribbean	Asia and the Pacific	Eastern Europe and Central Asia	Arab States	Total
2014	55	2	8	15	15	7	2	**104**
2015	84	62	17	36	17	6	4	**226**
2016	113	11	35	20	31	2	25	**237**
2017	133	16	9	26	74	10	12	**280**

9. Of the 280 requests for advice, 70 per cent (195 requests) concerned conflicts of interest issues (see figure 4 below). Of these, the majority (131 requests) related to participation in outside activities and employment, such as undertaking speaking engagements or teaching assignments, serving on boards of non-governmental organizations, and publishing articles or books. For most of these, formal permission from the Division for Human Resources was required for the activity or employment. The staff member formally requested permission; the Ethics Office reviewed the request in order to advise the Division for Human Resources as to whether the activity presented a conflict of interest or posed other ethics concerns. For activities involving publication of materials, the Division of Communications and Strategic Partnerships usually reviewed the draft publication to ensure there were no conflicts with United Nations and UNFPA mandates.

10. The Ethics Office considers the increases in requests for ethics advice, including those regarding personal and organizational conflicts of interest, to be a positive sign that individuals and departments are taking concrete action to ensure that their behaviours and practices are ethical and in line with their obligations as international civil servants. Increases in organizational conflicts of interest issues are particularly encouraging, as they reflect a willingness to ensure that the programmes and practices of UNFPA are in line with ethical standards.

11. Employment-related inquiries constituted 30 per cent of all advice. Most related to allegations or concerns about workplace conduct, including misconduct. Many other inquiries involved fair application of policies.

12. There is an advisory element to nearly all of the work of the Ethics Office. What is outlined above reflects direct advisory services requested by staff and other personnel. In addition, however, advice and guidance are part of the Ethics Office's training, briefings, financial disclosure and standard-setting activities.

Figure 4
Requests for ethics advice and guidance by category

Category	Headquarters	Field	Total cases
Conflicts of interest			
– Outside activities	64	67	**131**
– Gifts, awards and hospitality	15	9	**24**
– Organizational conflicts of interest	11	4	**15**
– Other	9	16	**25**
Subtotal	***99***	***96***	***195***
Employment-related concerns			
– Workplace conduct issues	19	26	**45**
– Clarification of personnel-related policies	9	13	**22**
– Recruitment and promotion processes	6	6	**12**
– Other inquiries	1	5	**6**
Subtotal	***35***	***50***	***85***
Grand Total	**134**	**146**	**280**

B. Financial disclosure programme

13. Mandated by the Secretary-General, the financial disclosure programme is intended to help UNFPA to preserve and protect its integrity, thus building donor and public confidence in the organization and its staff. The programme is a primary tool for identifying and assessing conflict of interest risks arising from the private holdings and activities of staff and their immediate family members.

14. A total of 503 staff members submitted financial disclosure statements in the 2017 annual filing cycle, which covered the 2016 calendar year (see figure 5). Of the staff required to file, 132 were based at headquarters and 371 were field-based. Seventy staff members were first-time filers. The filing population comprised 320 staff in managerial positions (64 per cent) and 183 support staff (36 per cent), mostly administrative/finance assistants and administrative/finance associates based in field offices.

Figure 5
Financial disclosure participation, by location and calendar year, 2013-2016

Year	Headquarters	Field	Total by year
2013	133	541	**674**
2014	135	554	**689**
2015	147	365	**512**
2016	132	371	**503**

15. As usual, the Ethics Adviser reviewed each financial disclosure statement to ensure completion, and to consider whether any of the holdings or activities of the staff member or his or her immediate family members could present a conflict of interest, given the organization's mission and activities and the staff member's role. Some 59 filers (12 per cent) certified that they had no relevant disclosures, while the other 444 staff (88 per cent) provided disclosures. The Ethics Office requested additional information from 116 staff (23 per cent). Three of these

staff members had a previously undisclosed outside activity. They subsequently submitted a request for approval for the activity, or stated that they would resign the position voluntarily to eliminate the conflict. Several others were advised on how to properly manage or mitigate potential conflicts of interest.

16. Following its review of the financial disclosure statements, the Ethics Office additionally subjected a random sample of 49 statements (10 per cent) of the entire filing population to verification of their financial disclosures. This verification process allows the Ethics Office to ensure that staff members are diligently and accurately completing their financial disclosure statements. An outside firm retained by the Ethics Office reviewed the documentation submitted in support of the staff members' original disclosures. The staff whose statements were selected were diversified by location, grade and function.

17. During the verification phase, 31 staff members' files were reviewed, verified and closed without noteworthy concerns. However, 14 staff members were found to have more assets or liabilities than they had disclosed during the initial disclosure period. While no conflicts of interest were ultimately found, the Ethics Office is concerned that such a significant percentage of the verification group apparently had not provided fully accurate disclosures. The Ethics Office has been advised by the outside firm that this is a common issue across multiple United Nations organizations. The staff members concerned were counselled about the requirements of the financial disclosure programme to ensure full compliance in the future. One staff member was further requested to provide a written explanation for the inaccurate disclosure.

18. In addition to the financial disclosure programme cycle activity, the Ethics Office responded to 24 financial disclosure-related inquiries, including responding to staff members' questions about financial disclosure requirements and responding to inquiries from the Office of Audit and Investigation Services about staff members' financial disclosures (see figure 1, above).

C. Protection of staff against retaliation

19. UNFPA is obligated to protect staff members who report misconduct, or who participate in an authorized fact-finding activity, from any actual or threatened detrimental action that they may face as a consequence of that report or their participation. The policy on protection against retaliation sets forth the prohibition against retaliation, the procedures for lodging a complaint, and the steps the organization may take to address retaliation. In 2017, the Ethics Office received two complaints of retaliation and three retaliation-related requests.

20. For each retaliation complaint, the Ethics Office undertakes a preliminary review to determine whether the complainant engaged in an activity warranting protection from retaliation and, if so, whether this protected activity was a contributing factor to the retaliation. If the Ethics Office determines that a *prima facie* case of retaliation has been established, the matter is referred to the Office of Audit and Investigation Services for investigation. Following completion of the investigation, the Ethics Adviser reviews the investigation report, discusses the report with the investigators, considers whether retaliation has occurred, and then makes appropriate recommendations to the Executive Director.

21. Both complaints came from headquarters offices. The first complaint, filed in April 2017, alleged that the staff member was retaliated against by his/her supervisor and several others for reporting misconduct, and for cooperating in an investigation of misconduct. The Ethics Office referred the complaint, in part, for investigation. During the investigation, the Ethics Office recommended, and the Executive Director approved, interim protection measures. The Office of Audit and Investigation Services completed its investigation and returned the investigation report to the Ethics Office. The Ethics Office was reviewing the report as of the end of 2017.

22. The second complaint of retaliation was filed in November 2017 by a staff member who accused his/her supervisor and several other staff members of acts that allegedly resulted in significant changes to his/her job duties, following his/her report of misconduct against the supervisor. As of the end of 2017, the matter remained under preliminary review.

23. The three retaliation-related inquiries came from field-based staff members. One staff member expressed concern that negative comments in his/her performance appraisal were retaliatory. Another staff member expressed concern that subordinate staff members were retaliating against him/her by engaging in harassing conduct against him/her. A third staff member expressed concern that he/she would be retaliated against because of his/her participation in an investigation. None of these led to the filing of a retaliation complaint, although the Ethics Office advised the staff members about their situations and about how to file a complaint. The Ethics Office also continued to occasionally facilitate discussions between staff members who previously filed retaliation complaints, and relevant UNFPA divisions, to ensure they continued to be treated fairly.

24. Looking back to the Report of the Ethics Office 2016 (DP/FPA/2017/7), two retaliation complaints were outstanding at the end of 2016. In the retaliation complaint reported at paragraph 19 of the 2016 report, the complainant ultimately resigned from UNFPA to pursue another opportunity. The Ethics Office's preliminary review was put on hold while the complainant and the organization negotiated changes to the complainant's performance appraisal document and other measures. The Ethics Office closed the file in October 2017.

25. In the retaliation complaint reported at paragraph 21 of the same 2016 report, the retaliation complaint against the three subjects was substantiated. Disciplinary action was taken by the organization against two staff members; the third had separated from UNFPA prior to the investigation.

D. Training, education and outreach

26. The training, education and outreach programme of the Ethics Office aims to reinforce the core values and principles of the United Nations and the international civil service, increase knowledge of and compliance with ethics-related policies, and encourage staff and management to adhere to high ethical standards.

27. In 2017, the Ethics Office provided training and training-related services on 37 occasions (see figure 1, above). Fourteen of these were in-person training and education programmes and ethics briefings which reached approximately 440 UNFPA personnel. The Ethics Office conducted one orientation session for new Executive Board members. Headquarters offices that received training included the Technical Division, Division of Management Services, and the Evaluation Office. The Ethics Office conducted virtual training sessions for the Asia Pacific region's representatives, junior professional officers and the country offices of Mali and Rwanda.

28. The Ethics Adviser conducted an outreach mission to the Sri Lanka, India and Bangladesh country offices in the Asia Pacific region. These missions included training sessions on 'ethics and international civil service', confidential advisory sessions and management briefings. The Ethics Adviser attended the regional planning meeting for the East and Southern Africa region, and conducted an ethics workshop for the East and Southern Africa regional office staff and the South Africa country office staff.

29. The Ethics Office provided 12 ethics briefings for new heads of office and field managers visiting headquarters. The Office also provided training materials and responded to other training-related requests on several occasions.

30. The new online training programme, "Ethics and Integrity at the United Nations Population Fund", launched in English in January 2017. The programme was completed by 526 staff during the year. Several staff members have commented positively on the course.

31. The Ethics Office published several items on its microsite in 2017. In addition to providing standard ethics resources and information, the site offered seven published articles on topics such as ethical blind spots, political engagement, and outside activities.

32. The 2016 Global Staff Survey results, made available in 2017, showed gains in several relevant categories, including awareness of the Ethics Office and its services (2 per cent increase), knowledge of how to report misconduct such as harassment or abuse of authority (3 per cent increase), and belief that staff would be protected from retaliation if one reported wrongdoing (5 per cent increase). In each of these instances, fewer than 15 per cent of responses were negative.[1] Thus, it appears that ethics education and awareness raising efforts have a positive effect.

E. Standard-setting and policy support

33. A key function of the Ethics Office is to provide guidance to management on ethics standard-setting so that the policies and practices of the organization reflect and promote the expectations of integrity, impartiality and fairness required of UNFPA and its staff. During the reporting period, the Ethics Office collaborated with other UNFPA offices on 33 occasions to review, provide input and seek clarification on new and revised policies and procedures reflecting the organization's operations. This work included providing input to draft policies and programme evaluations, responding to donor inquiries about UNFPA ethics practices and policies, streamlining overlapping processes in different divisions, engaging with the Joint Inspection Unit, and contributing to the UNFPA Strategic Plan, 2018-2021.

34. The Ethics Office was called upon, and often volunteered, to engage on matters relating to sexual exploitation and abuse and sexual harassment prevention. The Ethics Adviser engaged with staff and management, with donors, and within the broader United Nations system on these matters.

35. The Ethics Office attended its annual meeting with the UNFPA Audit Advisory Committee and briefed the Committee on its programme activities.

III. Coherence

36. The Ethics Office contributed substantially to coherence in the United Nations system in 2017. Much of the coherence-related work of the Ethics Office involved interaction with the Ethics Panel of the United Nations (EPUN), established in 2007 (ST/SGB/2007/11). The Ethics Office participated in 10 of the 11 official meetings of EPUN. The Ethics Office gave substantive input to 41 other EPUN-related matters outside of EPUN meetings, and solicited much advice from EPUN in return.

37. In October 2016, the Ethics Adviser began a one-year term as the EPUN Alternate Chair, having been elected by EPUN members to this position. This role was created by EPUN in 2010 to ensure continuity of its meetings and activities in the absence of the EPUN Chairperson.

38. However, beginning in January 2017, under the Secretary-General's bulletin, "Protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations" (ST/SGB/2017/2),[2] United Nations Secretariat staff members were given the option of requesting that the EPUN Alternate Chair conduct a further review of the determination of the United Nations Ethics Office that there was no *prima facie*

[1] Note that the 2016 Global Staff Survey included non-staff personnel, unlike in 2014.
[2] This SGB was revised in November 2017 by ST/SGB/2017/2/Rev.1.

case of retaliation. In addition, under the same policy, the Director of the United Nations Ethics Office can, at his/her discretion, refer a retaliation complaint to the Alternate Chair due to an actual or potential conflict of interest in his/her office.

39. During her tenure as EPUN Alternate Chair, which ended in September 2017, the Ethics Adviser received one referral of a retaliation complaint from the Director of the United Nations Ethics Office due to a potential conflict of interest, and two referrals based on United Nations staff members' requests for further review of the United Nations Ethics Office determinations regarding their retaliation complaints.

40. In the referral from its Director, the United Nations Ethics Office had initially determined that there was no *prima facie* case of retaliation, but had re-opened its preliminary review upon receiving further information from the complainant. However, the Director then decided that there was a potential conflict of interest, and referred the matter to the Alternate Chair to conduct her own preliminary review. The Ethics Adviser determined that a *prima facie* case of retaliation did not exist, but made appropriate recommendations to senior management of the United Nations Secretariat. The staff member then requested further review of this determination. As of the end of 2017, this further review was being conducted by the new Alternate Chair, who is the UNICEF Principal Ethics Adviser.

41. Regarding the two United Nations Secretariat staff members' requests for further review of the United Nations Ethics Office determinations that there was no *prima facie* case of retaliation, the UNFPA Ethics Adviser reviewed both of them. In the first case, the Ethics Adviser disagreed with the United Nations Ethics Office determination that there was no *prima facie* case of retaliation, and directed that the complaint be referred for full investigation to the Office of Investigation and Oversight Services. In the second case, the Ethics Adviser agreed with the determination of the United Nations Ethics Office, but recommended certain actions to senior management of the United Nations Secretariat.

42. Further information on the work of EPUN, including the retaliation matters noted above, will be provided in the Report of the Secretary-General on the activities of the Ethics Office, scheduled to be available in August 2018.

43. The UNFPA Ethics Office engaged in many other coherence activities. Of particular note is adaptation of the United Nations Secretariat's online training, "Prevention of Sexual Exploitation and Abuse," (PSEA) to the funds and programmes. The Ethics Adviser worked with ethics and human resources professionals, primarily from UNDP, UNICEF and UN-Women, from 2016 through 2017 to prepare this programme for the funds and programmes. It is now available for implementation by *all* funds and programmes that wish to use it. This helps to ensure that education and awareness raising about PSEA can be consistent across the United Nations system. All agencies involved shared the work and the production costs.

44. Additionally, the UNFPA Ethics Office and Programme Division collaborated with UNICEF to develop a protocol for the United Nations system approach to preventing and addressing sexual exploitation and abuse by our implementing partners.

45. Another example of effective coherence activities is the growing number of ethics training sessions being offered in the field that include personnel from multiple United Nations organizations. For example, UNICEF included UNFPA personnel in Rwanda in its in-person ethics training. The UNFPA Ethics Office included staff from UNICEF and WHO in its training in Sri Lanka. UNRWA included staff from multiple agencies in its training in Syria. This practice of inclusion is a positive effect of the good working relations among members of United Nations system ethics professionals.

46. At the invitation of the Office of Audit and Investigation Services, the Ethics Adviser presented to the Conference of International Investigators about the retaliation process. Such

interactions increase understanding and effectiveness of the administration of justice in the United Nations.

47. The Ethics Office also actively participated in the Ethics Network of Multilateral Organizations (ENMO). The Ethics Adviser attended the ENMO annual meeting in July 2017, and was elected Chair of the ENMO Standing Membership Committee for a one-year term. This committee is responsible for receiving and reviewing applications from organizations for membership in ENMO, and making appropriate recommendation to the ENMO Chair regarding their approval.

48. The Ethics Office also assisted other ENMO organizations on ethics issues, including by sharing knowledge of ethics office structures and operations, peer coaching, and provision of policies and training materials.

IV. Observations and recommendations to management

49. The following observations and recommendations reflect on 2017, and recommend steps to further strengthen a culture of ethics and integrity in UNFPA and the United Nations.

50. In 2017, UNFPA unexpectedly lost its Executive Director. Staff members (including those of the Ethics Office) mourned this loss, adapted to the change, and continued on with plans for the future of the organization, all in quick succession. This required much self-discipline by all staff, as well as managerial leadership. Staff and other personnel should be commended for their ability to endure such difficulties in 2017.

51. The Ethics Office acknowledges and appreciates the new Executive Director's immediate engagement on ethics issues, and her support of the Ethics Office mandate.

52. The Ethics Office recommends that UNFPA in 2018 take a leadership role in the effort of the United Nations system to end sexual exploitation and abuse wherever it occurs under the United Nations flag. As the organization whose mandate includes the protection of sexual and reproductive health rights for women and adolescent girls, UNFPA staff should not only refrain from sexual abuse and exploitation, but should also be at the forefront of the effort to eradicate this problem.

53. The Ethics Office further recommends that the Executive Board and management consider whether the UNFPA Ethics Office (and other ethics functions) might be strengthened by more formal structures to support collaboration and coherence in ethics activities among United Nations system organizations. Ethics coherence activities foster a culture in which all staff understand the ethical obligations of international civil service, regardless of the particular United Nations organization in which they serve. Coherence-related activities in 2017 required much effort, but these activities contributed to better and more consistent outcomes throughout the United Nations system, including at UNFPA. They also align with UNFPA commitments in its strategic plan, 2018-2021 to improve organizational efficiency and effectiveness with "increased contributions to the United Nations system-wide results, coordination and coherence," and to the UNFPA specific commitment to be "a strong supporter of the use of common services… to reduce management and administrative costs in the field and at headquarters."[3]

54. Finally, the Ethics Office recommends that senior management consider increasing the size of the Ethics Office by one junior-level professional staff member. Operationally, the Ethics Office's capacity to provide timely, high-quality advice, training and education, and protection from retaliation has reached its limit. Services overall have increased 55 per cent over 5 years; advice and guidance specifically have increased 74 per cent in that same period.

[3] UNFPA Strategic Plan, 2018-2021, at paragraphs 62 and 76.

Yet the Ethics Office remains the same size since its inception – one professional and one administrative staff member. Further engagement on ethics issues by staff and other personnel is welcome, and expected; but without additional staff, the resulting workload increases will inhibit the Office's ability to improve its operations and provide strategic input into organizational standard-setting efforts.

V. Conclusion

55. The Ethics Office in 2017 engaged in hands-on and practical strategies to ensure staff and management have the knowledge and skills to engage in ethical behaviour and take ethical decisions. The efforts of the Ethics Office also contributed to United Nations system-wide ethics practices, and to bolster UNFPA ethical standards. It is hoped that this effort inspires a wider movement throughout UNFPA and the United Nations to strengthen the culture of ethics and integrity, and of loyalty to the vision of the United Nations. The Ethics Office looks forward to continuing these efforts in 2018.

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UNFPA – Financial, budgetary and administrative matters

United Nations Population Fund

Summary

The proposed UNFPA integrated budget, 2018-2021 revision responds to the Executive Board decision 2017/24 to revise the approved integrated budget based on the results of the comprehensive resources review, in order to increase efficiency and improve the balance between the institutional budget and programmes, in light of the overall decrease in expected resources.

The integrated budget presents the resources that will contribute to achievement of the UNFPA integrated results and resources framework. The revised integrated budget should be considered in conjunction with the UNFPA Strategic Plan, 2018-2021 (DP/FPA/2017/9) and its annexes.

Income projections have been revised based on the latest analysis of income, now including actual 2017 contributions. For 2018-2021, *UNFPA now proposes a slight increase of $100 million in other resources*, compared to the original estimates. This maintains a conservative total contribution estimate of $3,500 million, compared to $3,400 million in the approved integrated budget, 2018-2021, an increase of 2.9 per cent.

The revised proposal improves the balance between the institutional budget and programmes. For 2018-2021, *UNFPA now proposes to allocate 84.9 per cent of total available resources to development activities*, compared to 84.2 per cent in the approved budget. UNFPA estimates that $3,068.1 million will be available for programmes in 2018-2021, compared to $2,878.0 million in the approved budget. This represents an increase of $190.1 million, or 6.6 per cent. Resources available for programmes will increase from 80.2 per cent in the approved budget to 81.4 per cent in the revised proposal.

The institutional budget component of the revised integrated budget, presented for the Executive Board appropriation, is proposed at $701.1 million, a decrease of $7.3 million. As a relative share of the total use of resources, *the institutional budget will decrease from 19.8 per cent to 18.6 per cent*.

UNFPA will present the integrated budget proposal to the Advisory Committee on Administrative and Budgetary Questions (ACABQ), whose report will appear in document DP/FPA/2018/9.

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(Annexes to this document can be found on the UNFPA Executive Board website)

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I. The integrated budget: strategic and financial context

A. Strategic context

1. In line with the 2030 Agenda for Sustainable Development, the UNFPA Strategic Plan, 2018-2021 (DP/FPA/2017/9) sets out the vision for transformative change in the lives of women, adolescents and youth that UNFPA seeks to bring about in the next four years. In particular, it commits to the achievement of three people-centred transformative results leading up to 2030. These include (a) an end to preventable maternal deaths; (b) an end to the unmet need for family planning, and (c) an end to gender-based violence and all harmful practices, including female genital mutilation and child, early and forced marriage. It reaffirms the strategic direction of UNFPA (represented by the "bull's eye"), as laid out in the midterm review of the Strategic Plan, 2014-2017 (DP/FPA/2016/2).

2. UNFPA has formulated development outcomes and organizational effectiveness outputs for the strategic plan as well as new resource investment choices to contribute to the achievement of the goal of the strategic plan and, ultimately, to the eradication of poverty, prioritizing of leaving no one behind and reaching the furthest behind first.

3. The integrated results and resources framework (annex I of the Strategic Plan, 2018-2021) comprises four development outcomes and four organizational effectiveness and efficiency outputs for UNFPA. The integrated budget is the financial plan to enable the organization to deliver on these results.

4. The four development outcomes are as follows:

(a) Outcome 1. Every woman, adolescent and youth everywhere, especially those furthest behind, has utilized integrated sexual and reproductive health services and exercised reproductive rights, free of coercion, discrimination and violence.

(b) Outcome 2. Every adolescent and youth, in particular adolescent girls, is empowered to have access to sexual and reproductive health and reproductive rights, in all contexts.

(c) Outcome 3. Gender equality, the empowerment of all women and girls, and reproductive rights are advanced in development and humanitarian settings.

(d) Outcome 4. Everyone, everywhere, is counted, and accounted for, in the pursuit of sustainable development.

5. The four outputs of organizational effectiveness and efficiency are as follows:

(a) Output 1. Improved programming for results;

(b) Output 2. Optimized management of resources;

(c) Output 3. Increased contribution to the United Nations system-wide results, coordination and coherence;

(d) Output 4. Enhanced communication for impact, resource mobilization and partnerships.

B. Financial context

6. The present budget proposal includes the resources contributing to achieve the UNFPA integrated results framework, and is an integral part of the organization's strategic plan. The integrated budget resource projections cover the four-year period of the Strategic Plan, 2018-2021.

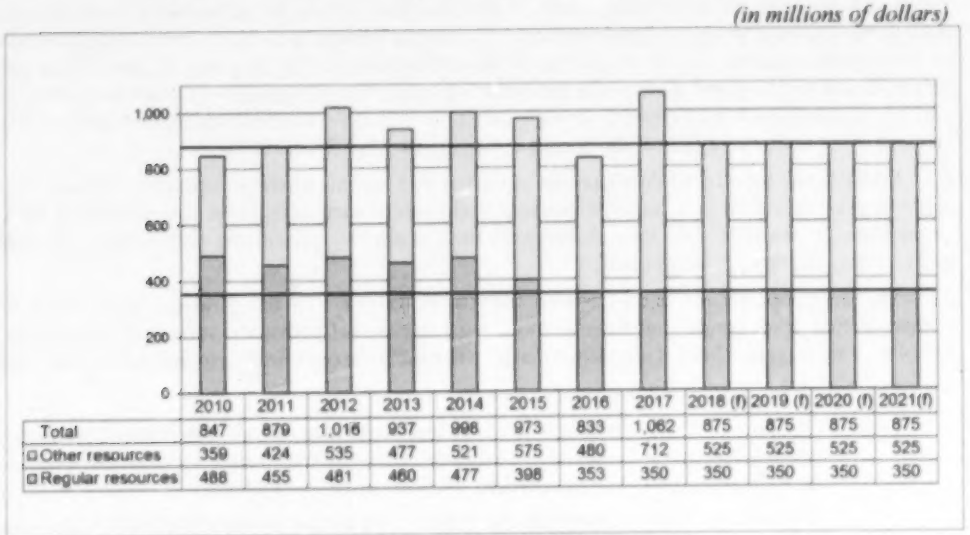
7. Over the past six years, UNFPA received a higher proportion of its income earmarked as other resources contributions. Also, the actual contribution versus the resource mobilization targets for the Strategic Plan, 2014-2017 (agreed in 2013) were subject to vulnerabilities, driven by changing and volatile economic and fiscal environment trends, and the overall reduction of officiai development assistance, among others, combined with its increasing use for humanitarian financing to address migration.

8. Based on historical trends, donor indications gathered through engagement and income-scenario analysis, at the time of preparation of the integrated budget, 2018-2021 (in early 2017), UNFPA had forecast a total of $3,400 million in contributions for 2018-2021. These contributions targets comprised of $1,400 million in regular resources and $2,000 million in other resources.

9. Given the opportunity to review the income scenario for 2018-2021, UNFPA proposes to revise the strategic plan contribution targets to an overall total of $3,500 million ($1,400 million for regular resources and $2,100 million for other resources), an increase of $100 million (2.9 per cent) for the four-year period, or $25 million per year, in other resources.

Figure 1. Contributions, by funding category, 2010-2021

(in millions of dollars)



	2010	2011	2012	2013	2014	2015	2016	2017	2018 (f)	2019 (f)	2020 (f)	2021(f)
Total	847	879	1,016	937	998	973	833	1,062	875	875	875	875
Other resources	359	424	535	477	521	575	480	712	525	525	525	525
Regular resources	488	455	481	460	477	398	353	350	350	350	350	350

Source: For 2010-2017, annual financial statements; for 2018-2021, forecast (f).
Note: Figures for regular resources contributions exclude interest income; for 2010-2013, they reflect adjustments of refunds to staff for income tax levied by a Member State.

10. At the time when the original contribution targets for 2018-2021 were finalized (in early 2017), the 2016 results were part of the analysis. There was a sharp decline in 2016, compared to 2015, both in regular contributions – by $45 million (11 per cent) – and in other resources contributions – by $95 million (16 per cent). Challenges such as the potential loss of about $63 million annually from a key donor and the volatility of the exchange rates against the US dollar were also critical factors when the original analysis was made.

11. Currently, the proposed increase of $100 million to the overall other resources target ($25 million per year) is a result of further analysis of the contribution trends, now that the organization has a solid picture of the other resources revenue – $712 million for 2017. The contribution revenue recorded for other resources as of 30 April 2018 is already $64 million (31 per cent) more than the other resources revenue that was recorded as of 30 April 2017. In comparison with the approved four-year contribution revenue targets for the previous strategic plan cycle (2014-2017), at an average of $596 million per year, the proposed other resources targets, at $525 million per year, are conservative. The actual contribution revenue of other resources for the previous strategic plan cycle (2014-2017) averaged $572 million per year.

12. UNFPA is pleased to report that 97 per cent of the overall other resources strategic plan contribution targets for 2014-2017 – $?,365 million – was met ($2,288 million); this represents the other resources mobilized for this four-year period. Based on these exceilent results, the decision of UNFPA to increase the other resources target by 5 per cent per year, while still a cautious increase, reflects a burgeoning confidence, dedication and organizational commitment at all levels. By building effective strategic partnerships, institutionalizing a focused target setting, and optimizing all funding opportunities, including through innovative financing mechanisms, UNFPA aims to raise adequate and sustainable resources and continue an open dialogue on options that will enhance the quality of contributions to finance development results for all countries the Fund serves.

13. UNFPA is well aware that the other resources projections are difficult to predict as this involves uncertainty to the timing and duration of funding commitments, donor priorities and preferences. UNFPA will therefore seek to meet its targets in accordance with its resource mobilization strategy, the recommendations of the 2016 quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR), and the continued guidance of the Executive Board.

14. The UNFPA funding targets are ambitious; however, from a fiduciary perspective, the budget remains prudent, given the experience of the strategic plan cycle 2014-2017. UNFPA continues to prioritize regular resources and seeks to maintain a healthy balance between regular and other resources, as reiterated in General Assembly resolution 71/243 (2016) on the QCPR.

15. After taking into account estimated opening balances, interest and miscellaneous income, and adjustments for tax reimbursements, UNFPA projects that total available resources for 2018-2021 will now be $4,003.4 million; this represents an increase of $190.6 million, or 5 per cent, compared to the approved integrated budget, 2018-2021. This figure comprises projected regular resources of $1,444.6 million and other resources of $2,558.8 million.

16. Advancing the UNFPA resource mobilization strategy – introduced in 2015 (DP/FPA/2015/11) – is a corporate priority. UNFPA consistently emphasizes that the preferred contribution modality remains an unrestricted regular resources contribution – this forms the bedrock of sustainability and effective delivery on the UNFPA mandate and is increasingly important in the implementation of the 2030 Agenda. The flexibility of regular resources is the most strategic and effective modality, enabling an organizational investment in vital functions and presence, innovation for integrated and scaled-up delivery, as well as mobilization of critical complementary other resources and on communication of results.

II. Revised integrated budget, 2018-2021

A. Integrated resource plan

17. Table 1 below shows the revised integrated resource plan, 2018-2021 for all cost categories, including regular and other resources. The figures presented in table 1 and in all other tables are rounded to the closest decimal and thus may not add up to the decimal point. Table 1 reflects a change in the presentation of the line for programmes (A.1), which is now consolidated to include all components classified as programme. The programme components are then broken down separate in table 2.

18. The current integrated budget, 2018-2021 is based on the revised proposal contained in document DP/FPA/2017/10/Corr.1 from 6 September 2017. Following extensive consultations with Member States during 2017, UNFPA proposed to defer the establishment of the Premises Capital Plan requested by the Board of Auditors and consider it only at the next budget revision. In decision 2017/24, the Executive Board approved the revised proposal, which forms the basis for comparison with the revisions proposed in this document.

Table 1. Integrated resource plan, 2018-2021 – revised

(in millions of dollars)

1. Resources available	Integrated budget, 2018-2021 - DP/FPA/2017/10/Corr.1					Integrated budget, 2018-2021 (revised)				
	Regular resources	Other resources		Total resources	Percentage of total	Regular resources	Other resources		Total resources	Percentage of total
		Programme	Cost recovery				Programme	Cost recovery		
Opening balance [a]	0.1	416.4		416.5		48.5	458.8		507.3	
Income										
Contribution-gross	1,400.0	2,000.0	-	3,400.0		1,400.0	2,100.0	-	3,500.0	
Other [b]	20.1	-	-	20.1		19.9	-	-	19.9	
Total income	1,420.1	2,000.0	-	3,420.1		1,419.9	2,100.0	-	3,519.9	
Less tax reimbursement [c]	(23.8)	-	-	(23.8)		(23.8)	-	-	(23.8)	
Total available	**1,396.4**	**2,416.4**		**3,812.8**		**1,444.6**	**2,558.8**		**4,003.4**	
2. Use of resources										
A. Development activities										
A.1 Programme [d]	830.7	2,194.1	(146.8)	2,878.0	*80.2%*	898.6	2,325.1	(155.6)	3,068.1	*81.4%*
A.2 Development effectiveness	141.0			141.0	*3.9%*	133.6			133.6	*3.5%*
Total development	971.8	2,194.1	(146.8)	3,019.0	*84.2%*	1,032.1	2,325.1	(155.6)	3,201.7	*84.9%*
B. United Nations development coordination	9.4			9.4	*0.3%*	9.4			9.4	*0.3%*
C. Management activities										
C.1 Recurring costs	386.8	0.0	143.9	530.8	*14.8%*	378.4	-	152.5	530.9	*14.1%*
C.2 Non-recurring costs	4.3		2.9	7.2	*0.2%*	4.1		3.1	7.2	*0.2%*
Total management	391.1	-	146.8	538.0	*15.0%*	382.5	-	155.6	538.1	*14.3%*
D. Special purpose										
D.1 Premises capital plan	-	-	-	-	*0.0%*	-	-	-	-	*0.0%*
D.2 ICT transformation	20.0			20.0	*0.6%*	20.0			20.0	*0.5%*
Total special purpose	20.0	-	-	20.0	*0.6%*	20.0	-	-	20.0	*0.5%*
Total use of resources (A+B+C+D)	**1,392.3**	**2,194.1**	-	**3,586.4**	***100.0%***	**1,444.1**	**2,325.1**	-	**3,769.2**	***100.0%***
3. Net amounts from(to) reserves [e]	**(3.1)**	-	-	**(3.1)**		**0.5**	-	-	**0.5**	
4. Balance of resources (1-2+3)	**1.1**	**222.3**	-	**223.4**		**1.1**	**233.7**	-	**234.7**	

a/ Regular resources opening balance for 2018 has been revised as per 2017 financial statements; other resources have been revised based on funds received and available for programming.

b/ Includes interest and miscellaneous income.

c/ Adjustment for tax reimbursements to staff who are nationals of one Member State.

d/ 'Other resources - Programmes' reflects total programme expenses as per financial statements; the cost recovery is offset to enable a comparison with the estimates in the budget document.

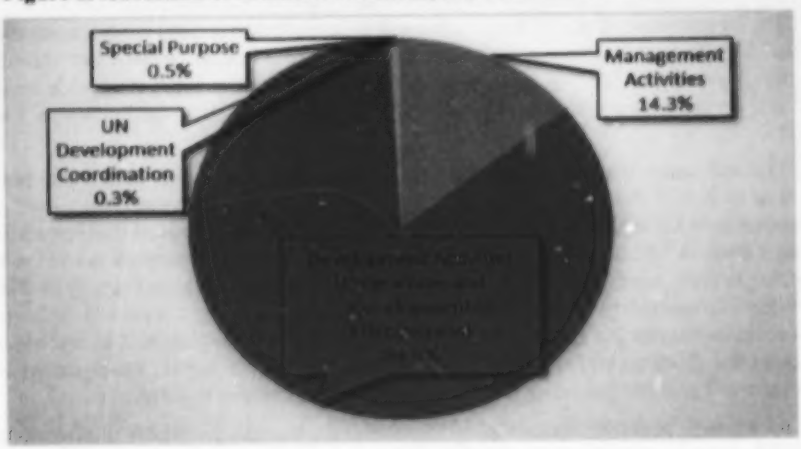
e/ Includes adjustments to the operational reserve as per financial regulations and rules and transfers from previous periods.

Note: approved 2018-2021 figures are presented based on decision 2017/24 which reflects the adjusted budget as per DP/FPA/2017/10/Corr.1

Note: Figures in this table and in other tables in this document are rounded to the closest decimal; therefore, they may not add up.

19. The proposed use of resources is illustrated in figure 2, which shows the proportion of resources allocated to cost classification categories approved by the Executive Board: development activities; management activities; special purpose activities; and United Nations development coordination activities. UNFPA continues to dedicate the majority of its resources to development activities.

Figure 2. Allocation of available resources, 2018-2021 – revised



20. UNFPA proposes to allocate 84.9 per cent of total available resources to development activities in the revision for 2018-2021, compared to 84.2 per cent in the approved budget. Resources available for programmes will increase, from 80.2 per cent in the approved budget, to 81.4 per cent in the revision.

21. Total available resources for 2018-2021 have been adjusted by $23.8 million for tax reimbursements to staff who are nationals of one Member State.

B. Integrated budget components

22. The integrated budget comprises all planned resources for development outcomes and organizational effectiveness and efficiency outputs for 2018-2021. For all funding sources, programme design is aligned with the strategic plan. However, allocation mechanisms differ: for other resources, allocation is usually done in close cooperation with the respective donors and stakeholders. For regular resources, allocation mechanisms vary; these are explained below.

1. Programmes

23. Programmatic interventions are delivered at country level as well as global and regional levels. In addition, the UNFPA emergency fund supports the organization's rapid response to humanitarian crises. Table 2 provides the financial summary of programme components.

Table 2. Programme resources by component, revised 2018-2021

(in millions of dollars)

	Integrated budget, 2018-2021 - DP/FPA/2017/10/Corr.1					Integrated budget, 2018-2021 (revised)				
1. Resources available	Regular resources	Other resources		Total resources	Percentage of total	Regular resources	Other resources		Total resources	Percentage of total
		Programme	Cost recovery				Programme	Cost recovery		
Summary programme										
Country programme	656.9	2,194.1	(146.8)	2,704.1	75.4%	723.6	2,325.1	(155.6)	2,893.1	76.5%
Global and regional interventions	153.9	-	-	153.9	4.3%	152.5	-	-	152.5	4.0%
Emergency fund	20.0	-	-	20.0	0.6%	22.5	-	-	22.5	0.6%
Total programme	**830.7**	**2,194.1**	**(146.8)**	**2,878.0**	**80.2%**	**898.6**	**2,325.1**	**(155.6)**	**3,068.1**	**81.4%**

a) *Country programmes*

24. The largest share of UNFPA resources will be allocated to country programmes for the attainment of four development outcomes. These resources will continue to be allocated through the resource allocation system (RAS). The Strategic Plan, 2018-2021 and its annex 4 provide an overview of the RAS and its alignment with the organization's strategic direction ("the bull's eye") and its business model.

25. The indicators that determine resource allocations through the RAS have been updated and reviewed as part of the strategic plan to ensure they are in line with the "bull's eye" and support the achievement of the results set out in the integrated results and resources framework (annex 1 of the Strategic Plan, 2018-2021). A system of relative weights of RAS indicators is used to group countries according to their 'needs' and 'ability to finance' (annex 4 of the Strategic Plan, 2018-2021). To measure the ability of a country to finance its development needs, the strategic plan will use inequality-adjusted gross national income per capita, factoring in health access quality as well as income inequality. This addresses the shortcomings of using gross national income per capita, which masks inequalities and variations within countries, as an indicator for measuring "ability to finance".

26. As a result, countries are grouped into quadrants, to enable UNFPA to provide tailored support and achieve greater impact. The Strategic Plan, 2018-2021 annex 4 contains a list of countries by quadrant.

27. The modes of engagement are interlinked, and may be applied in various combinations to provide tailored solutions to meet national needs. UNFPA may deploy all five modes of engagement for countries in the red quadrant and in countries with humanitarian crises, which have the highest or most urgent needs. For countries in the orange, yellow and pink quadrants, UNFPA focuses on upstream work; in these countries, service delivery may be undertaken only under special circumstances, tailored to meet the specific needs and priorities of those countries, as illustrated in the annex 4 of the Strategic Plan, 2018-2021. This is consistent with the QCPR. This approach responds to the requests of Member States for greater support in technical cooperation, policy and advocacy. Table 3 below summarizes the use of the modes of engagements per colour quadrant.

Table 3. Modes of engagement by setting

Modes of engagement	Countries in the red quadrant and countries with humanitarian crises	Countries in the orange quadrant	Countries in the yellow quadrant	Countries in the pink quadrant
Service delivery		Not deployed		
Capacity development		***	**	*
Partnerships and coordination, including South-South and triangular cooperation				
Knowledge management				
Advocacy, policy dialogue and advice				

*** *Focus is on an enabling environment, and on institutional and individual levels.*

** *Focus is on an enabling environment and on institutional levels.*

* *Focus is on an enabling environment.*

28. Given the voluntary nature of the organization's funding and the characteristics of country programmes in terms of national ownership, the aggregate resources assigned to country programmes are indicative. A resource framework for country programmes will continue to be submitted to the Executive Board for approval.

29. Any additional income raised above the targets set in this integrated budget will be available for country programmes.

b) *Global and regional interventions*

30. The Strategic Plan, 2018-2021 will also be operationalized through global and regional interventions, as laid out in one global and six regional action plans (for details, see Strategic Plan, 2018-2021, annex 6 on global and regional interventions). The direction set for these global and regional interventions will enable a greater programmatic focus on the specific priorities and needs of countries at regional and global levels.

31. Global and regional interventions were developed concurrently with the strategic plan and the integrated budget to ensure the alignment and coherence of the specific contributions to the outcomes and outputs of the Strategic Plan, 2018-2021. The consultative budgeting process was based on a bottom-up approach tailored to the priorities of each action plan, so that the results and associated resources are established at the onset of the programme design.

32. Following the comprehensive resources review, the global and regional interventions ceiling has been slightly reduced, now proposed at $152.5 million for 2018-2021, down from the original $153.9 million approved for 2018-2021.

33. The global and regional intervention ceiling cannot be exceeded without the approval by the Executive Board.

c) *UNFPA emergency fund and humanitarian response reserve*

34. In its decision 2015/3, the Executive Board set the maximum annual allocation to the UNFPA emergency fund at $10 million from regular resources; it also approved a one-time allocation of $10 million of regular resources for the establishment of a humanitarian response reserve.

35. These allocations aim to facilitate and strengthen the organization's rapid response capability in humanitarian crises. The emergency fund is not intended to become a primary vehicle to finance humanitarian response, but plays an important role in providing catalytic funding, which also often increases the organization's capacity to generate additional resources.

36. In decision 2017/24, the Board approved an annual allocation of $5 million of regular resources for the emergency fund and the humanitarian response reserve, noting the maximum allocation set in decision 2015/3. Since then, as additional regular resources became available towards the end of 2017, UNFPA was able to increase the 2018 allocation to the emergency fund to $7.5 million. The present revision includes this increase and reflects a revised emergency fund totalling $22.5 million, compared to the $20 million originally planned.

37. At the end of 2017, UNFPA was also able to partially fund the humanitarian response reserve with an initial one-time allocation of $5 million.

2. *Institutional budget*

38. Besides the programme resources discussed above, the integrated resource plan includes the cost categories that form the institutional budget: development effectiveness, management (recurring and non-recurring), special purpose, and United Nations development coordination. These elements are approved by the Executive Board as a nominal appropriation which cannot be exceeded without the approval by the Executive Board

39. The institutional budget is a foundation of the organization, and reflects the commitment of UNFPA to maintain a universal presence, given its mandate and normative agenda, as well as its advocacy efforts at global, regional and country levels. Over half of the institutional budget is allocated to UNFPA country and regional offices.

Table 4. Institutional budget, 2018-2021 – revised

(in millions of dollars)

1. Resources available	Integrated budget, 2018-2021 - DP/FPA/2017/10/Corr.1					Integrated budget, 2018-2021 (revised)				
	Regular resources	Other resources		Total resources	Percentage of total	Regular resources	Other resources		Total resources	Percentage of total
		Programme	Cost recovery				Programme	Cost recovery		
Summary institutional budget										
A. Development effectiveness	141.0	-	-	141.0	*3.9%*	133.6	-	-	133.6	*3.5%*
B. United Nations development coordination	9.4	-	-	9.4	*0.3%*	9.4	-	-	9.4	*0.3%*
C.1 Management recurring costs	386.8	-	143.9	530.8	*14.8%*	378.4	-	152.5	530.9	*14.1%*
C.2 Management non-recurring costs	4.3	-	2.9	7.2	*0.2%*	4.1	-	3.1	7.2	*0.2%*
D.1 Special purpose - Premises capital plan	-	-	-	-	*0.0%*	-	-	-	-	*0.0%*
D.2 Special purpose - ICT transformation	20.0	-	-	20.0	*0.6%*	20.0	-	-	20.0	*0.5%*
Total	**561.5**	-	**146.8**	**708.4**	***19.8%***	**545.5**	-	**155.6**	**701.1**	***18.6%***

40. The revised institutional budget is now proposed at $701.1 million, $7.3 million lower than the originally approved budget for 2018-2021 ($708.4 million). This reflects the results of the comprehensive resource review UNFPA undertook to: (a) ensure a closer alignment between expected income for 2018-2021 with the budget for the same period; (b) review and recommend needed functions in the organization and relations among business units; and (c) ensure necessary staff skills to successfully implement the Strategic Plan, 2018-2021. UNFPA has held extensive consultations with the Executive Board throughout the process.

41. The proposed institutional budget decrease is mainly driven by the savings identified in the comprehensive resources review, primarily in headquarters, mindful that the comprehensive resources review was distinct from any previous austerity measures. Furthermore, country office realignments and regional office adjustments contribute to the reduced institutional budget. Further details are below (in Section D, paragraphs 57 to 64).

42. The proposed reductions are partially offset by investments in three key areas: (a) strengthened field offices; (b) strengthened protection against sexual exploitation and abuse (PSEA) coordination; and (c) a strengthened investigations function (discussed in Section D, paragraphs 66 to 69).

43. As a relative share of the total use of resources, the institutional budget will decrease from 19.8 per cent to 18.6 per cent. The proportionate share of recurring management costs to the total use of resources is 14.1 per cent, down from the 14.8 per cent originally planned for 2018-2021.

C. Integrated results and resources framework

44. The integrated results and resources framework, 2018-2021 reflects the four development outcomes and four organizational effectiveness and efficiency outputs of the UNFPA Strategic Plan, 2018-2021. The integrated results and resources framework contained in the strategic plan continues to be the overarching results framework for UNFPA.

45. Certainly, the link between results and resources is – as in any conceptual framework – a simplified version of a complex reality. Accountability for the results in the integrated results and resources framework does not lie solely with the units or programmes whose resources are linked to those results. For example, for organizational effectiveness and efficiency outputs, the accountability for achieving the outputs is shared across organizational units or functional clusters, as outputs reflect corporate priorities to which multiple units must contribute. Similarly, the achievement of development outcomes is the effect of a concerted effort that involves various stakeholders.

46. The link between results and resources was developed based on the harmonized results-based budgeting framework for the institutional budget (as approved in Executive Board decision 2011/10) and the analysis of actual expenditure trends for programme resources.

47. Table 5 below shows the high-level allocation of resources to results (allocations are indicative).

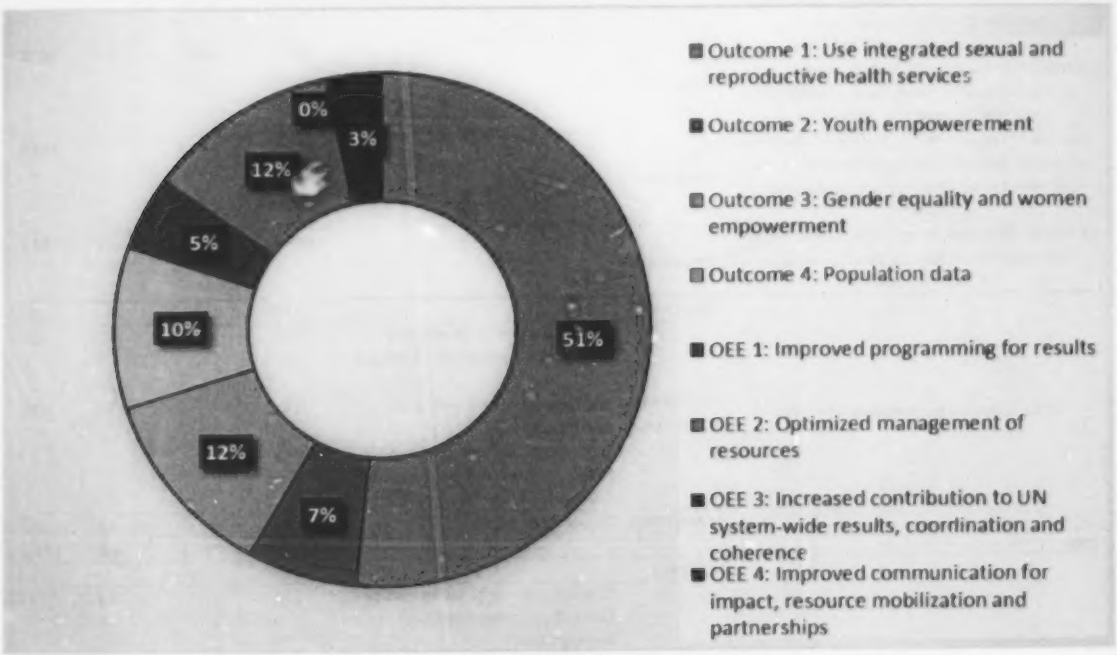
Table 5. Integrated results and resources framework, 2018-2021 (indicative) – revised

(in millions of dollars)

Outcome / Output	Cost classification	Functional cluster	Integrated budget, 2018-2021 (revised)			
			Regular resources	Other resources	Cost recovery	Total
Outcome 1: Every woman, adolescent and youth everywhere, especially those furthest behind, has utilized integrated sexual and reproductive health services and exercised reproductive rights, free of coercion, discrimination and violence	Programme		**453.7**	**1,491.2**	-	**1,944.9**
Outcome 2: Every adolescent and youth, in particular adolescent girls, is empowered to have access to sexual and reproductive health and reproductive rights, in all contexts	Programme		**109.5**	**140.3**	-	**249.8**
Outcome 3: Gender equality, the empowerment of all women and girls, and reproductive rights are advanced in development and humanitarian settings	Programme		**103.3**	**340.7**	-	**443.9**
Outcome 4: Everyone, everywhere, is counted, and accounted for, in the pursuit of sustainable development	Programme		**199.4**	**183.7**	-	**383.1**
OEE1: Improved programming for results	Programme		17.7	10.3	-	28.0
	Development effectiveness	Technical expertise for effective response to development challenges	10.0	-	-	10.0
		Programme planning, policy and management support	118.6	-	-	118.6
		Procurement and quality-assured supply base for reproductive health commodities	4.9	-	-	4.9
	Management	Corporate evaluation	8.0	-	4.8	12.7
Total			**159.2**	**10.3**	**4.8**	**174.3**
OEE2: Optimized management of resources	Programme		3.1	0.4	-	3.4
	Management (recurrent costs)	Corporate oversight and assurance (internal and external audit and investigations)	22.3	-	12.1	34.5
		Corporate financial information and communication technology and administrative management	43.1	-	25.2	68.3
		Field office oversight, management and operations support	210.5	-	71.7	282.2
		Staff and premises security	2.8	-	0.8	3.6
		Corporate human resources management	15.0	-	6.4	21.5
	Management (non-recurrent costs)		4.1	-	3.1	7.2
	Special purpose - ICT transformation		20.0	-	-	20.0
	Special purpose - premises capital plan		-	-	-	-
Total			**320.8**	**0.4**	**119.4**	**440.6**
OEE3: Increased contribution to the United Nations system-wide results, coordination and coherence	Programme		1.4	0.0	-	1.4
	United Nations development coordination		9.4	-	-	9.4
Total			**10.8**	**0.0**	-	**10.8**
OEE4: Enhanced communication for impact, resource mobilization and strategic partnerships	Programme		5.6	2.9	-	8.5
	Management (recurrent costs)	Leadership and corporate direction	21.3	-	7.5	28.8
		Corporate external relations and partnerships, communications and resource mobilization	55.4	-	23.9	79.3
Total			**82.3**	**2.9**	**31.4**	**116.6**
Total			**1,444.1**	**2,169.5**	**155.6**	**3,769.2**

48. Figure 3 below reflects the organization's commitment to channel the large majority of its total resources to development outcomes (81 per cent of total). Approximately 52 per cent of total resources are devoted squarely to outcome 1, reflecting the continued focus on the "bull's eye", the strategic direction reaffirmed in the UNFPA Strategic Plan, 2018-2021.

Figure 3. Indicative allocations by outcomes and outputs, 2018-2021 – revised


0%
3%
12%
5%
10%
51%
12%
7%
Outcome 1: Use integrated sexual and reproductive health services
Outcome 2: Youth empowerement
Outcome 3: Gender equality and women empowerment
Outcome 4: Population data
OEE 1: Improved programming for results
OEE 2: Optimized management of resources
OEE 3: Increased contribution to UN system-wide results, coordination and coherence
OEE 4: Improved communication for impact, resource mobilization and partnerships

49. The indicative allocation of resources to the four development outcome and organizational efficiency and effectiveness outputs is aligned with the priorities of the Strategic Plan, 2018-2021, and reflects the results that UNFPA seeks to achieve during 2018-2021. The details are captured in the strategic plan, the theory of change, and the accompanying targets in the integrated results and resources framework; however, a few elements are important to highlight.

50. The resource estimates reflect the different settings in which the organization works, based on the business model. Countries in the red quadrant have the highest needs related to sexual and reproductive health, and are projected to spend more of their programme resources on outcome 1 (focusing on sexual and reproductive health). Conversely, countries in the pink quadrant have relatively lower sexual and reproductive health needs but will still spend a considerable portion of their resources on outcome 1; however, because most are middle-income countries, they may spend proportionally more on outcomes 3 and 4, as they have more significant needs relating to, for example, emerging population issues.

51. Based on this methodology, it is estimated that the resources allocated to the four outcomes in the integrated results and resources framework will receive the following proportional share of overall programme resources:

(a) Outcome 1 (integrated sexual and reproductive health services): 64.3 per cent;

(b) Outcome 2 (adolescents and youth): 8.3 per cent;

(c) Outcome 3 (gender equality and women's empowerment): 14.8 per cent;

(d) Outcome 4 (population and development): 12.7 per cent.

52. Several important elements influence the interpretation of these numbers. First, the integrated results and resources framework has been designed as an integrated approach to deliver upon the bull's eye; the outcomes are not distinct but interrelated. This particularly affects outcome 2, as resources directed at adolescents and youth programming are contained in each of the four outcomes, not solely in outcome 2. For example, UNFPA support in the delivery of sexual and reproductive health services for adolescents and youth is contained in outcome 1 (reflecting an integration of these services with broader sexual and reproductive health services) rather than in outcome 2.

53. Secondly, the programme strategies for the different outcomes vary, based on both the setting and the nature of the work. For example, work on outcome 3 often takes the form of advocacy and policy dialogue, whereas work on outcome 1 employs a full spectrum of strategies, ranging from advocacy and policy dialogue/advice to knowledge management, capacity development, and, in some circumstances, service delivery.

54. Thirdly, these are global estimates, informed by current priorities in the ongoing country programmes, rather than precise amounts that each country is expected to spend on each outcome. The amounts that each country spends on each outcome will be determined by dialogue at the national level, and approved separately by the Executive Board. Therefore, the allocations of resources to development outcomes must be seen as indicative only.

55. Finally, these are not fully costed estimates of what is necessary to achieve each outcome. The attainment of results at the outcome level involves the participation of many other actors – particularly national Governments – besides UNFPA. The figures in table 2 represent estimates of the UNFPA contribution towards the achievement of these results, rather than the sum total necessary to reach the targets.

56. Another way to look at the allocation of resources is by using the quadrants from the business model. Countries in the red quadrant have the greatest needs and the lowest abilities to finance their own responses, and so they receive the largest share of resources. Table 6 below shows the share of resources, based on quadrant, countries will receive during 2018-2021. The modes of engagement and the associated regular resources allocation system for country programmes are elaborated in detail in the annex 4 to the UNFPA Strategic Plan, 2018-2021.

Table 6. Resource allocation by quadrant

	Countries in the orange quadrant	Countries in the yellow quadrant	Countries in the pink quadrant
56-60 per cent	14-18 per cent	7-11 per cent	15-17 per cent

D. Summary of increases and decreases in the institutional budget

57. The proposed revision of the UNFPA integrated budget, 2018-2021 responds to Executive Board decision 2017/24, requesting UNFPA to revise the approved integrated budget, 2018-2021 based on the results of the comprehensive resources review, in order to increase efficiency and improve the balance between the institutional budget and programmes, in light of the overall decrease in expected resources. As a result, the changes contained in the present document focus on changes to the institutional budget.

58. For the revision of the institutional budget, UNFPA used the same costing assumptions as for the original budget, to enable easier comparison with the proposed changes. Table 7 below summarizes the changes for the revised institutional budget, 2018-2021.

Table 7. Summary of changes, revised institutional budget 2018-2021

(in millions of dollars)

		Total	% increase /
I.	**2018-2021 institutional budget (approved)**	**708.4**	
II. a.	**Decreases**		
	(i) Comprehensive resorce review - headquarters	(11.5)	-1.6%
	(ii) Country office realignments	(2.3)	-0.3%
	(iii) Regional office adjustments	(0.4)	-0.1%
	Total decreases	**(14.2)**	**-2.0%**
II. b.	**Increases**		
	(i) Strengthened field offices	3.7	0.5%
	(ii) Strengthened PSEA coordination	1.4	0.2%
	(iii) Strengthened investigations function	1.3	0.2%
	(iv) Comprehensive resorce review - field offices	0.5	0.1%
	Total increases	**6.9**	**1.0%**
III.	**Net volume increases/(decreases) (II.a + II.b.)**	**(7.3)**	**-1.0%**
IV.	**Total 2018-2021 institutional budget (revised)**	**701.1**	
V.	**Estimated income to the institutional budget**	**(155.6)**	
VI.	**2018-2021 net institutional budget (IV + V)**	**545.5**	

a) ***Rebalancing the institutional budget – proposed decreases***

Comprehensive resources review (net reduction $11 million)

59. The UNFPA Executive Director established a change management process in order to equip UNFPA to implement the Strategic Plan, 2018-2021, to contribute to the achievement of the Sustainable Development Goals and to respond to the Secretary-General's reform proposals. The comprehensive change management is grounded in the evaluation of the architecture supporting the operationalization of the UNFPA Strategic Plan, 2014-2017, and the management response to the evaluation.

60. The change management process was designed to advance and align a number of ongoing initiatives, including the comprehensive resources review, the country office realignments, the information and communications technologies transformation, the strategic plan roll-out and implementation, the new resource mobilization architecture, including the structured funding dialogue, and UNFPA engagement in the United Nations reform process.

61. The comprehensive resources review, as an integral part of the change management process, aimed to ensure optimal alignment between the strategic plan, resource allocation and organizational structures for improved programmatic and operational efficiency and effectiveness, at headquarters, regional and country levels. While not a cost-cutting initiative, the review focused on headquarters business units to improve efficiencies, cohesiveness and synergies to jointly respond to countries' needs. This resulted in a reduction in the number of positions in headquarters and a merger of some business units to better respond to regional and country office needs.

62. The comprehensive resources review led to a net reduction of 25 institutional budget positions at headquarters (-$11.5 million); this reduction is partially offset by changes in the regional level (net additional 1 post, $0.5 million). Thus the net effect of the comprehensive resources review is a proposed institutional budget reduction of $11 million.

Country office realignments (net reduction $2.3 million)

63. A number of country offices structures have been realigned to ensure staff have the necessary skills and the office a basic management and operations structure, fit for purpose, to respond to the new country programme or changes at the middle of the programme cycle, aligned with the strategic plan and with colour quadrant classification (red, orange, yellow, pink) as per the strategic plan modes of engagement. The net reduction of $2.3 million consists of a net abolishment of three international professional posts (-$2.5 million) and net abolishment of 2 posts in other categories (-$0.7 million); this is partially offset with changes in duty stations, funding sources and post reclassifications ($0.9 million, net reduction of 4 posts in other categories).

Regional office adjustments (net reduction $0.4 million)

64. At the regional level, minor adjustments are proposed in categories and grades of posts, with a net abolishment of one post in other categories (-$0.4 million).

b) Investments in the organization – proposed increases

65. In response to the Executive Board requests, UNFPA proposes three distinct investments that will increase the institutional budget:

Strengthened field offices ($3.7 million)

66. UNFPA continues to invest in its country office presence, and proposes additional strengthening of country offices, in the amount of $3.7 million, which includes net three new international professional posts ($2 million), reconfiguration in other posts, as well as duty station changes and reclassifications ($0.9 million) and the operational costs to establish a full-fledged office in Libya ($0.8 million).

Strengthened coordination in protection against sexual exploitation and abuse ($1.4 million)

67. UNFPA activities in protection against sexual exploitation and abuse continue to be paramount to protect the most vulnerable beneficiaries, to maintain the trust of the communities served by UNFPA, and to uphold the reputation of the Fund. Given the high level of commitment of the Secretary General and of the UNFPA Executive Director to this important issue, as well as the multiple coordinating mechanisms on these reform efforts, there is an acute need for a central focal point for PSEA at UNFPA, placed under the leadership of Deputy Executive Director (Management).

68. One international professional post and associated operational costs are proposed for the function, which will be a focal point for representation, policy, programme development and training related to PSEA issues. The role will entail internal coordination, support to country and regional offices, as well as inter-agency coordination on PSEA. The post will also liaise, as appropriate, with Office of Audit and Investigation Services (OAIS), given its role in reporting and investigating sexual exploitation and abuse allegations.

Strengthened investigations functions ($1.3 million)

69. As a continuing effort to provide additional funding to independent oversight functions, UNFPA proposes further strengthening of the investigations function, to address the increased demand for such services. OAIS is facing a higher increase in new cases in 2017 than originally foreseen. The typology of cases is wide, covering all internal and external cases; it also evinces a wide scope (fraud, sexual exploitation and abuse, harassment including sexual harassment and abuse of authority). To cope with the increased workload, UNFPA proposes strengthening OAIS with two additional international posts and their associated operational costs for two years. The proposal will be reassessed (to determine the continued need) at the midterm review of the integrated budget.

Premises Capital Plan

70. As outlined above, the approved institutional budget, 2018-2021 excludes the provision for the Premises Capital Plan, as its proposed establishment was deferred (DP/FPA/2017/10/Corr.1).

71. While UNFPA is able to continue with the existing Reserve for Field Accommodation arrangement for field offices, the Reserve currently does not allow its use for headquarters premises investments, including basic maintenance. Thus, given the continued deferral of the establishment of the Premises Capital Plan, UNFPA proposes to extend the use of the existing Reserve for Field Accommodation for headquarters premises. This would enable a planned preventive maintenance programme to ensure that

the condition of the headquarters premises to be maintained at a reasonable standard, and allow for the necessary capital improvements until the Premises Capital Plan is established.

United Nations development system coordination

72. The approved resources for 2018-2021 amount to $9.4 million and constitute the UNFPA share of the contributions to the resident coordinator system, as per currently agreed cost-sharing formula and the estimate provided by the United Nations Development Operations Coordination Office.

73. UNFPA is fully committed to the ambitious reform agenda set by the United Nations Secretary-General and the Member States, and has been an active contributor from the start. UNFPA welcomes the recently adopted General Assembly resolution (72/279) on the repositioning of the United Nations development system, within the context of the QCPR. The resolution will have budgetary implications for all United Nations development system entities, including UNFPA. The exact impact will only be known once the Secretary General's implementation plan for the roll-out of the resident coordinator system is approved. Therefore, the present integrated budget revision does not include additional provisions, as they are not known at this time. UNFPA will present the financial impact on the budget in coordination with the other United Nations funds and programmes that share a harmonized budget format and content.

c) Summary of post changes

74. Table 8 below provides an overview of proposed post changes for 2018-2021. UNFPA proposes a net reduction of 28 posts, 6 in the field and 22 at headquarters.

Table 8. Summary of post changes, revised institutional budget, 2018-2021

	2018-2021 approved posts							Changes: increase and (decrease)						2018-2021 Revision						
	USG / ASG	D2	D1	Other IP	All other	Total	% of total	USG / ASG	D2	D1	Other IP	All other	Total	USG / ASG	D2	D1	Other IP	All other	Total	% of total
Field		6.0	44.0	177.0	536.0	763.0	70.1%				(1.0)	(5.0)	(6.0)		6.0	44.0	176.0	531.0	757.0	71.4%
Headquarters	3.0	7.0	27.0	181.5	107.0	325.5	29.9%		1.0	(3.0)	(11.0)	(9.0)	(22.0)	3.0	8.0	24.0	170.5	98.0	303.5	28.6%
Total	3.0	13.0	71.0	358.5	643.0	1,088.5	100.0%		1.0	(3.0)	(12.0)	(14.0)	(28.0)	3.0	14.0	68.0	346.5	629.0	1,060.5	100.0%

Note: IP= international professional

75. In the field offices, a net reduction of 6 posts stems from:

(a) 10 posts less as a result of country office realignments and regional office adjustments (3 'other international professional' and 7 'all other');

(b) 3 additional 'other international professional' positions as a result of strengthened field offices;

(c) 1 net additional post as a result of comprehensive resources review (1 net reduction of 'other international professional' posts and 2 additional 'all other' posts);

76. At headquarters, the bulk of the proposed post changes is due to the reductions stemming from the comprehensive resources review (net reduction 25 posts):

(a) 1 upgrade from D1 to D2; one downgrade from D1 to 'other international professional' posts; and 1 D1 post abolished; total impact is 1 additional D2 and a reduction of 3 D1 positions;

(b) In the 'other international professional' posts, besides one increase resulting from the downgrade mentioned above, there are net 2 new and 17 abolished posts; total impact is a net reduction of 14 'other international professional' posts;

(c) In the 'other' post category, there are 2 new posts, offset by 10 abolished and 1 post moving to other funding sources; total impact is a net reduction of 9 'others' posts.

77. Partially offsetting the above reductions, the proposed strengthening of PSEA coordination and the investigations function result in 3 new 'other international professional' posts in headquarters.

E. Cost recovery

78. The present document includes the estimated amounts of cost recovery for 2018-2021 based on the currently approved methodology (Executive Board decision 2013/9). Annex 2 presents detailed information based on the current cost recovery methodology, as it pertains to the revised integrated budget, 2018-2021. UNFPA will implement any changes in the approved cost recovery methodology in coordination with the other United Nations funds and programmes that share a harmonized cost recovery model.

III. Elements of a decision

79. The Executive Board may wish to:

(a) *Welcome* the revised UNFPA integrated budget, 2018-2021 (DP/FPA/2018/8), in response to decision 2017/4, and aligned with the approved UNFPA Strategic Plan, 2018-2021 (DP/FPA/2017/9);

(b) *Welcome* the improved results focus and the enhanced linkages with the strategic plan results and harmonized methodology and presentation, including cost classification, attribution and recovery;

(c) *Take note* of the results and resource requirements in the UNFPA integrated budget estimates for 2018-2021, including linkages of results and resources, as contained in document DP/FPA/2018/8;

(d) *Approve* the presentation of activities and associated costs reflected in document DP/FPA/2018/8;

(e) *Approve* gross resources in the amount of $701.1 million, representing the revised institutional budget estimates for 2018-2021, noting that these estimates include an amount of $155.6 million for indirect cost recovery from other resources;

(f) *Authorize* $152.5 million of the projected regular resources, as a revised ceiling for global and regional interventions for 2018-2021, noting that this amount cannot be exceeded without approval by the Executive Board;

(g) *Recall* Executive Board decision 2015/3, *approve* a revised amount of $22.5 million of regular resources for the UNFPA emergency fund, and *reaffirm* the existing authorization for the UNFPA Executive Director to increase the emergency fund by up to $2 million beyond the ceiling in a given year if the number and extent of the emergencies so warrant;

(h) *Endorse* the proposal of the UNFPA Executive Director, similar to decisions 2008/6, 2012/13, 2013/32 and 2017/24, *decide* to grant exceptional authority during 2018-2021 to access up to an additional $5.4 million in regular resources for security measures, provided these are used for new and emerging security mandates, as defined by the directives of the United Nations Department of Safety and Security, and *request* UNFPA to report to the Executive Board on the use of those funds in its annual statistical and financial review.

(i) *Endorse* the proposal of the UNFPA Executive Director, and *approve* the use of the existing Reserve for Field Accommodation for headquarters premises, until the establishment of the Premises Capital Plan.